

FINANCIAL TIMES

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POWER VACUUM Ministers in fight to succeed Zia Page 3

World News France calls for troop reductions in Europe

Mr Jean-Pierre Chevènement, France's Defence Minister, asked his wife to West German calls for negotiated conventional force cuts in Europe...

Business Summary De Benedetti to seal peace at La Générale

RECONCILIATION between the once warring shareholders of Société Générale de Belgique will be formally cemented in Brussels today when Carlo de Benedetti is elected a vice-president...

Arrest at Bush rally

US Secret Service agents arrested a man they said was carrying an electric stun gun during a campaign appearance in San Diego...

UK mail strike

Union leaders said that about half of Britain's postal workers were on strike as the dispute escalated. It was called over the Post Office's tactics in clearing up the mail backlog caused by last Wednesday's stoppage...

N-plant ablaze

A Soviet nuclear plant using a Chernobyl-type reactor caught fire in the city of Plesetsk, near the Russian-German border...

Greece-Turkey talks

Creek-Turkish talks on economic and political cooperation began in Athens and Ankara, in an effort to flesh out January's Davos agreement...

Sri Lanka killings

Rebels killed seven members of Sri Lanka's ruling United National Party in separate attacks, said police...

Chun brother jailed

Mr Chun Kyong Hwan, younger brother of the former South Korean President Chun Doo Hwan, was sentenced to seven years' jail and fined 3.2bn won (\$4.4m) for embezzling money and abusing power during his brother's regime...

Churbanov charged

Mr Yuri Churbanov, the son-in-law of the late Leonid Brezhnev, went on trial before the Soviet Supreme Court charged with accepting more than \$1m to protect corrupt police officials...

Bangladesh illnesses

Bangladesh reported an outbreak of illness in the flood-stricken country, where more than 1,000 have died by disease, drowning or beneath collapsed houses...

Portugal warned

Portugal's Government has been warned in two reports that it must get to grips with its budget, monetary and trade policies...

US bases in Greece

Talks on the future of the four US military bases in Greece were temporarily suspended after Greek negotiators requested the closure of the Hellinikon airbase...

Carlucci in Peking

Mr Frank Carlucci, the US Defence Secretary, arrived in Peking for a six-day visit during which he will discuss Chinese arms sales to the Middle East...

Moscow heavy hand

At least 100 members of a new paramilitary police squad, seized political activists trying to demonstrate in Moscow against repression and hauled them away to police stations...

Egypt militants die

Two Muslim militants were killed and about 26 people were injured in clashes between Egyptian fundamentalists and police in a town south of Cairo...

Cash for athletes

Soviet athletes who win Seoul Olympic medals will be paid the equivalent of up to \$19,000, the head of the Soviet Olympic Committee said...

EC companies launch joint study to build Concorde's successor

By Michael Donne, Aerospace Correspondent, at Farnborough



TUC General Secretary Willis: EETPU chickened out

THE European Community's airframe makers are collaborating on a three-year study for the production of a second-generation supersonic airliner early next century...

Electricians' expulsion heralds deep UK union split

By Philip Bassett, Labour Editor, in Bournemouth

BRITAIN'S unions yesterday sustained the most serious split in their history when the Trades Union Congress voted to expel the Electronic, Telecommunications and Plumbing Union (ETPTU) from its federation...

Mr Eric Hammond, EETPU general secretary, said after the vote: "I think it is a wrong decision that the trade union movement has taken. It's one that they will have to retrace their steps on, sooner or later..."

The expulsion may also diminish the TUC's role and influence, with the unions less capable of offering the industrial relations stability provided by the federation's 49-year-old principles for policing inter-union relations...

Oil prices fall after Gulf output reports

By Steven Butler in London



Oil prices fall after Gulf output reports

MARKET sentiment was also weakened by the failure of Dr Sahroti, secretary general of the Organisation of Petroleum Exporting Countries, to make any breakthrough on his trip last week to the Middle East...

Tehran 'opens talks' over 25% stake in Krupp

By David Goodhart in Bonn and Halil Simonian in Frankfurt

THE IRANIAN Government has opened talks on the possible sale of its 25 per cent stake in Fried Krupp, the West German steel and industrial group, according to the Westdeutsche Landesbank (WestLB), the big West German bank...

EC companies launch joint study to build Concorde's successor

By Michael Donne, Aerospace Correspondent, at Farnborough

THE European Community's airframe makers are collaborating on a three-year study for the production of a second-generation supersonic airliner early next century...

Pernod Ricard launches rival bid for Irish Distillers Group

By Lisa Wood in London

PERNOD RICARD, the French drinks group, yesterday ended days of hesitation and launched its \$150 million share bid for Irish Distillers, valuing the company at \$288m (\$393m)...

CONTENTS

Table of contents listing sections such as 'East Germany: smiling at the West and glaring east', 'Management: Moving UK businesses to where the grass may be greener', and 'Surveys: Soft Commodities; Agricultural Supply Industries'.

Advertisement for Gwent featuring a map of the region with major towns like Gwent, Exeter, Southampton, Dover, London, Ipswich, and Birmingham marked. Text includes 'Make the right business connections in Gwent' and 'Gwent Better Connected'.

EUROPEAN NEWS

France joins call for lower troop levels in Europe

By David Marsh in Bonn

FRANCE'S Defence Minister, Mr Jean-Pierre Chevènement, yesterday added his voice to strong West German calls for negotiated conventional force reductions in Europe...

France supported efforts to rid the world of chemical weapons, saying present Soviet stocks (put at 50,000 tonnes by Moscow, 300,000 tonnes by the US) were "much too much"...



Occhetto: New ground

Occhetto points Italy's Communists towards centre

By John Wyles in Rome

THE NEW leader of Italy's Communists, Mr Achille Occhetto, plans to try to rebuild the party firmly in the crowded centre of Italian politics...

largely directed at the industrial working class. Quite apart from its content, an interview Mr Occhetto gave at the weekend to the PCI's newspaper, L'Unità, broke with convention by establishing the leader's own position quite independently of the central committee...

view of the "general interest" which now lay in expanding liberty and democracy. Modern socialism was to be achieved through "strong reformism" aimed at strengthening individual rights and equality...

When invited to identify the PCI's reformist objectives, Mr Occhetto had less to say than was new, referring to a recognition of "feminine differences" reduced working hours and environmental protection.

More surprising, however, was his emphasis on law and order. He claimed that there had been a collapse of public order in "vast regions of the country" and that Italy was "stained by the influence of criminal society."

US gases to help revive ailing town

By David Marsh in Bonn

AIR PRODUCTS, the US technical gases and chemicals group, has decided to move its West German headquarters to a battered steel town in the Ruhr in a move seen as boosting prospects for industrial conversion in the hard-hit region...

Brezhnev's son-in-law tried for corruption

By James Bilz

MR YURI CHURBANOV, the son-in-law of the late Soviet leader Leonid Brezhnev, was on trial in Moscow yesterday on charges of corruption. He is accused of having received more than Roubles 650,000 (3550,000) in bribes during the 1970s...



IN THE DOCK: Yuri Churbanov in court yesterday.

Churbanov himself was a key player. According to last week's article in Pravda, cotton harvests in Uzbekistan were, from the early 1970s onwards, inflated artificially by almost 1m tonnes annually...

Blaze in Soviet N-plant

A SOVIET nuclear plant using a Chernobyl-type reactor caught fire yesterday but no radiation leak or injuries were reported, according to the government newspaper Izvestia...

US calls temporary halt to talks on Greek bases

By Andriana Ierodiakonou in Athens

NEGOTIATIONS ON the future of the four United States military bases in Greece were suspended temporarily yesterday after Greek negotiators officially requested the closure of the Hellenikon airbase...

lenikon to journalists at the beginning of August. Washington responded angrily to the disclosure, condemning what it called "negotiations through the press."

Honecker smiles westward but glares east

By Leslie Collitt in East Berlin

A DISTINCT note of optimism at talks yesterday between Mr Erich Honecker, East Germany's leader, and West Germany's visiting Economics Minister, Mr Martin Bangemann...

Earlier, Mr Honecker visited the stand of West Germany's Bayer chemicals company. There he told the head of the West German permanent mission in East Berlin, Dr Hans Otto Bräutigam that East Germany was prepared to "continue the rapid expansion of relations with West Germany"...

Three young East Germans made a dramatic escape to West Berlin last week by swimming across a canal, with a police boat in hot pursuit. Another crossed the land frontier over the weekend.

Hostile leaflets, which have been distributed in the province, have called for armed Albanian uprising aimed at breaking up Yugoslavia's constitutional order, he said.

Serbia demands Kosovo crackdown

The president of the Yugoslav republic of Serbia yesterday demanded that Serbian paramilitary units be used to crack down on Albanian nationalists in Kosovo province...

Greece and Turkey try to build on Davos accord

By Andriana Ierodiakonou in Athens

GREEK-TURKISH talks on economic and political co-operation began simultaneously yesterday in Athens and Ankara, in an effort to flesh out the rapprochement launched by the prime ministers of the two countries in Davos last January...

life out of hilter, despite the fact that the Socialist Prime Minister has been well enough to continue directing government operations by telephone.

Praise and concern for Portuguese economy

By Diana Smith in Lisbon

PORTUGAL'S Government has been warned in two confidential reports that it must come to grips with its budget, monetary and trade policies.

Leaked locally as the Social Democrat Government of Mr Anibal Cavaco Silva was preparing its 1989 budget, the reports, one by the International Monetary Fund and the other from the World Bank, praise the improvement in economic performance of recent years but also warn of dangers.

must grow, and public spending shrink - advice given for 1978 and 1984 debt crises.

The World Bank hopes for faster devaluation and an export drive, to head off deterioration of trade gap which exceeded \$1.5bn in May.

Dutch court blocks Karin B move

A judge in The Hague yesterday rejected an attempt by a Dutch company to win the right to process 2,100 tonnes of Italian toxic waste, currently on board the West German freighter Karin B. Reuter reports.

Colonel admits selling secrets

A Belgian air force colonel has been charged with treason after confessing to selling defence secrets to an East bloc country, the country's Defence Minister, Mr Guy Coens, said yesterday. Reuter reports.

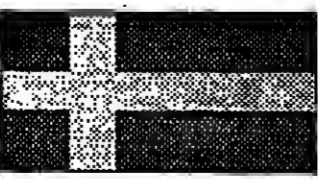
Affluent Swedes turn their attention to the environment

Sara Webb reports on the prospect that Sweden's Green Party may enter the Riksdag for the first time at this election

THERE are, says Mr Per Gahrton, green parties in eight parliaments in Western Europe, "but none is balancing the scales between power groups - they are all minorities without any parliamentary power. But everybody here believes we will have direct power by balancing the scales between two cemented blocs."

indicating that the Greens would always give priority to environmental issues in Parliament even if this meant "putting the environment before growth."

Mr Gahrton, a former Liberal MP who switched parties because of the Liberals' increasingly pro-nuclear stance, is the only Green Party member with previous experience of working in Parliament.



Swedish Elections

Such as Poland to help combat pollution. Mr Gahrton acknowledges that the Greens' policy of reducing traffic pollution by limiting road haulage and the use of cars in inner cities could have repercussions for the Swedish motor industry.

While other economists concentrate their minds on the problems of inflation and spiralling wage costs, the Greens remain unperturbed by these issues.

They favour lower income taxes and want people to have the right to work shorter, more flexible hours (though not for the same wages).

Energy-intensive industries, such as pulp and paper and the chemicals sector, stand to run up higher energy bills, as the Greens want to discourage energy consumption by imposing higher taxes. They have proposed phasing out nuclear power within three years and raising SKr60bn (35.5bn) from energy taxes to pay for the closure.

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OVERSEAS NEWS

South Korea urged to lift controls over economy

By Maggie Ford in Seoul

A RESTRUCTURING of the South Korean economy was recommended yesterday by an economic commission...

The commission's interim report and a wider set of recommendations have been drawn up following consultations with a wide number of groups in all sectors of society...

The report says the Government should stop supporting ailing companies and ailing industries. Forecasting the possibility of corporate bankruptcies...

The Government's role in industry should be reduced, concentrating on the development of science and technology and human resources.

In agriculture the report envisages a restructuring in readiness for the opening of agricultural markets to foreign products.

This plan, involving increasing farm sizes, speeding industrial diversification in rural areas and providing social welfare for poor farmers...

The report recommends the opening of the capital market, the liberalisation of foreign exchange restrictions and interest rates...

Mr Chun Kyong Hwan (pictured right), younger brother of the former South Korean President Chun Doo Hwan...

Mr Chun, whose 11 accomplices also received jail sentences, was convicted of using his position as head of a rural development movement...

Mr Chun, who is to appeal, claimed he was being used as a political scapegoat and had done nothing wrong.

A National Assembly committee is investigating a wide range of alleged irregularities which took place during the Chun years...

President Roh Tae Woo, who helped his predecessor to take power in the 1979 military

takeover, however, and the commission was unable to come up with a consensus on detailed issues or a timetable.

The commission, set up by the President this year, has members from all walks of life. While agreement had been reached on the broad direction of economic change...

If implemented, the report would transfer power in the Korean economy from bureaucrats and development economists to a private sector operating in a free market.

Regulations would be introduced to allow small businesses to flourish and non-tariff barriers inside the system would be dismantled.



Mr Chun, who is to appeal, claimed he was being used as a political scapegoat and had done nothing wrong.

Policies emphasise an improvement in the quality of life, including tax reform to benefit lower- and middle-income earners...

The report goes a long way towards answering public demands for economic change, but also hits directly at the many vested interests which have benefited from years of authoritarian rule.

President Roh is expected to make a decision on whether or not to accept it after the Olympic Games finish next month.

Chief ministers wait in the wings in Pakistan Christina Lamb profiles two leaders hoping to gain from Zia's death

WHEN rumours recently spread across Pakistan that martial law had been imposed, two names were on everyone's lips: Mr Nawaz Sharif and Mr Fazle Haq...

Last week, however, Gen Zia officially became a martyr, bringing the legitimacy he always sought for his regime. The chief ministers, citing the huge attendance at Gen Zia's funeral...

Outwardly the two could not be more different - a rich, young whizkid from the Punjab and a blunt, chain-smoking retired general from the frontier.

Although he categorically denies asking for martial law, he does not rule out the possibility. "Martial law has always been imposed when the politicians made a mess of things..."

Both have created personality cults - Mr Haq on the basis of his charisma and outspokenness, Mr Sharif more by judicious use of money and glossy posters...

Mr Haq was instrumental in Gen Zia's coup in 1977 and during his eight years as Martial Law Administrator, and as Governor in NWFP...

At 60, Mr Fazle Haq is among Pakistan's most charismatic politicians. In 1985 he was elected a senator with the largest majority in Pakistan's history...

Both have created personality cults... both are hedonists and both have murky pasts.

Both have created personality cults... both are hedonists and both have murky pasts.

Mr Haq interprets the recent incursion of Afghan aircraft deep into Pakistan as a warning that terrorist activities will increase. "Zia's death was part of a plot hatched by our enemies..."

"I'm sure further attacks and attempts to incite violence will continue. [Afghan leader] Najib will clutch at any straw to prevent himself drowning."

He claims Gen Zia's death had the greatest impact on members of the opposition Movement for the Restoration of Democracy...

The chief ministers believe the fractured Moslem League will reunite before elections.

Even with a united Moslem League, however Mr Haq predicts no single party will get a majority.

The chief ministers' faction is negotiating with most of the rightist and religious parties as well as MRD parties...

While the chief ministers are hoping for an extension to the caretaker government, most Pakistanis are demanding its dismissal...

dismissal, saying impartial elections are impossible under its auspices. Nawaz Sharif says he will refuse to leave office: "The constitution does not require the Government be dismissed..."

They also reject opposition claims that they have used new delimitations to gerrymander constituencies.

Despite these brave words, many people believe the chief ministers' party will remain a potent force...

In their favour, Ghulam Ishaq Khan has shown no intention of yielding to opposition demands for their dismissal...

While the chief ministers are hoping for an extension to the caretaker government, most Pakistanis are demanding its dismissal...

Burma violence erupts as strike threat hardens

By Richard Gourley in Bangkok

VIOLENCE broke out in the streets of Rangoon yesterday after weeks of anti-government demonstrations in which people's committees successfully policed the streets...

There were unconfirmed reports that 12 people, including several monks, were killed following a night in which there was shooting and some looting in the South Okkalapa suburb of Rangoon.

Some of them had been beheaded, diplomats in Rangoon said.

A pattern has developed of marauders looting depots for food, which could be in short supply as a result of a nationwide train strike...

In Mandalay, huge demonstrations filled the streets, while in Rangoon, a ceremony to commemorate demonstrators who had been drowned in a lake last month turned into a large march in favour of democracy.

Opposition figures, including Aung San Suu Kyi, daughter of resistance hero Aung San, and Gen Tin Oo, a former defence minister, said they supported student leaders' demands for a strike on Thursday...

The opposition believes the Burma Socialist Programme Party and Gen Ne Win, the country's leader for 26 years

until he nominally resigned last month, are trying to retain power despite the apparent nationwide rejection of their authority.

The Government is sticking to its plan to hold a special party congress on September 12, followed by a session of the largely symbolic Parliament the next day...

Diplomats said this timetable would depend on whether demonstrators physically

allowed party delegates to leave their constituencies and travel to Rangoon. This in turn depends on the reaction of the army, which appears to be deliberately evading confrontations with the people at the moment.

"I do not think there is any evidence of Ne Win, or top party or army officials, breaking," one diplomat said in reaction to speculation that there have been divisions in the army.

Carlucci to press China on Mideast arms sales

MR FRANK CARLUCCI, the US Defence Secretary, arrived in Peking yesterday for a six-day visit during which he will discuss Chinese arms sales to the Middle East...

Mr Carlucci is to meet senior Chinese leaders, including Deng Xiaoping, the 84-year-old supreme leader, Zhao Ziyang, the Communist Party General Secretary, and Qin Qiwai, the Defence Minister.

Chinese newspapers made no mention yesterday of Mr Carlucci's visit, which US embassy officials described as a continuation of high-level contacts between the two countries.

Diplomats said they expected Peking to press Mr Carlucci to speed the transfer of high technology to China and give a positive reply to Peking's offer to use its own rockets to put US-built communications satellites into space.

Chinese officials have denied complaints in the West that their low-cost launching services are an unfair threat to western satellite programmes, or an attempt to evade curbs on imports of high technology.

China has denied selling Silkworms to Iran and has given Washington assurances that it will prevent them reaching Tehran through other countries.

Washington has said it is concerned China has introduced a new generation of missiles to the region. China told Mr George Shultz, the Secretary of State, during a visit in July that it would consider a US proposal to hold talks on curbing the spread of ballistic missiles.

China and the US have entered into limited military co-operation in recent years. Washington has agreed to the sale of \$600m of electronic equipment for Chinese jet fighters and aid for an artillery plant and anti-submarine torpedoes.

Sino-US relations also suffered a setback last December when Washington expelled two Chinese diplomats, accusing them of engaging in activities incompatible with their status as diplomats.

Illness adds to woes of Bangladesh

THE Bangladesh Government yesterday reported an outbreak of illness in the flood-stricken country, where more than 1,000 people have died of house collapses, drownings and disease.

Mr Abdul Mannan, the Health Minister, said at least 83,000 people were reported to be suffering from diseases caused by the lack of safe drinking water. At least 60 people were believed to have died after contracting diarrhoea, he said.

Mr Mannan said 2,250 medical teams had been sent into the countryside with medicines and water-purifying tablets to combat the outbreak of diarrhoea.

An official at the Relief Ministry said rescue operations launched two weeks ago remained largely ineffective because of difficulty in reaching affected areas.

About 6m people living in Dhaka, the capital, were cut off from the rest of the world as land links were washed away and the airport remained unusable because of water on the runway.

Sri Lanka rebels kill seven

MARKIST rebels have killed seven members of Sri Lanka's ruling United National Party in separate attacks, police said.

The Government said the dead lawyer, Mr Wijedasa Liyanarachchi, had been arrested as a suspected JVP member. He died in hospital on Friday and police were investigating.

lawyers walked through the corridors of the capital's main courthouse yesterday protesting against the death of a colleague while in police custody.

The Government said the dead lawyer, Mr Wijedasa Liyanarachchi, had been arrested as a suspected JVP member. He died in hospital on Friday and police were investigating.

Lange beats off party left wing

By Terry Hall in Wellington

THE LABOUR Government emerged apparently triumphant against powerful left-wing elements at its annual conference which ended in Dunedin yesterday although upheavals still seem in store with a big Cabinet reshuffle due later this week.

The conference outcome helped settle financial markets, which have been extremely nervous for the past three weeks because of concern that big changes could be coming and that left-winger Jim Anderton would be elected party president.

Mr Anderton, a dissident MP and former president, heads a group staunchly opposed to most government policies, particularly privatisation and the

sale of the Bank of New Zealand.

His defeat by 31-year-old Ms Ruth Dyson, who was favoured by Mr Lange and Mr Roger Douglas, the Finance Minister, and Mr Richard Prebble, Minister of State-Owned Enterprises...

The New Zealand dollar rose sharply against the US dollar, helped by a weakening of the US currency, while domestic interest rates fell to new lows.

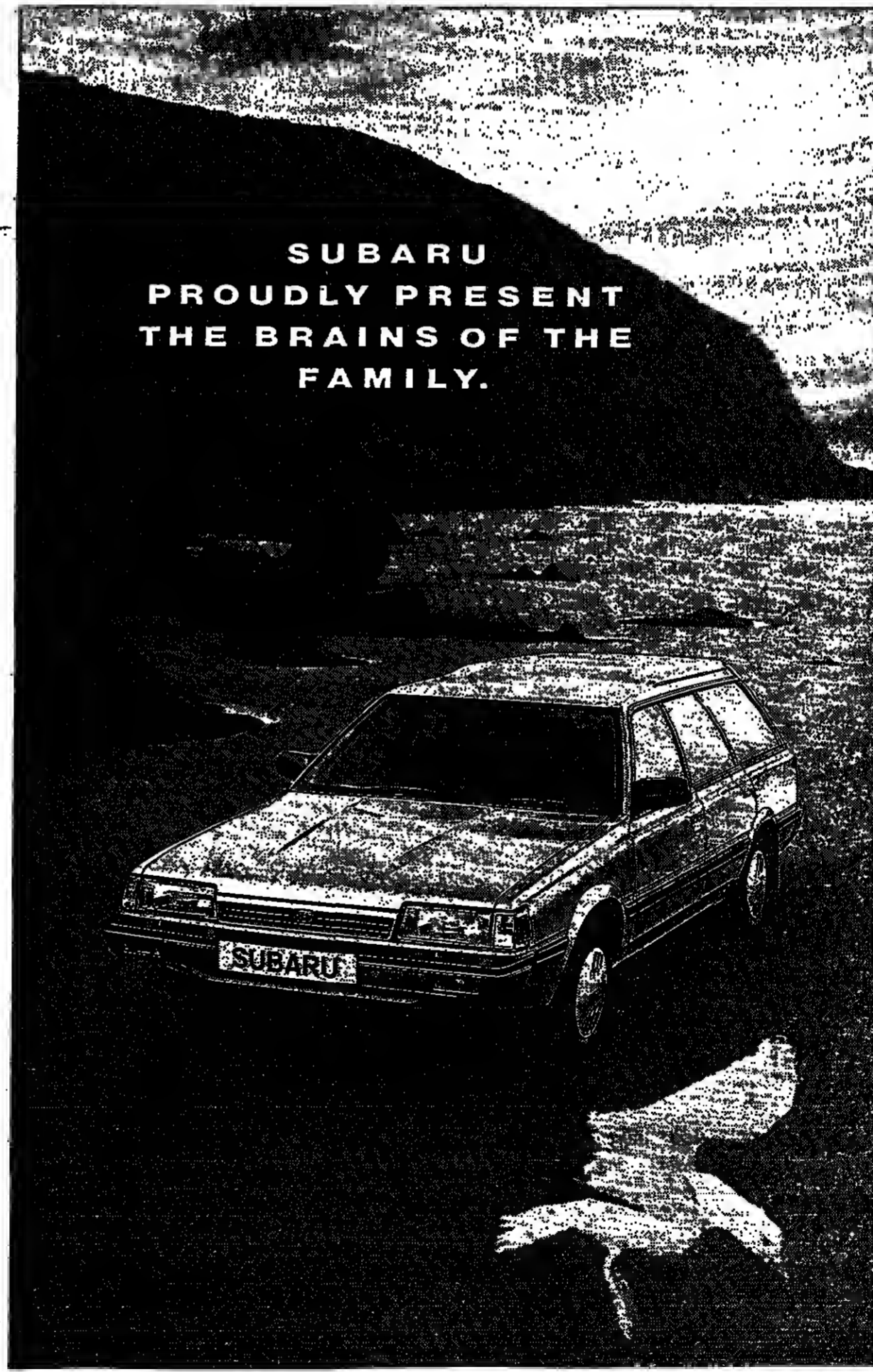
Mr Lange, fresh from recent heart surgery, was seen as the dominant figure at the conference. He pacified left-wingers, particularly unionists, by agreeing to an accord similar

to that operated by the Hawke Government in Australia, which promises full consultation with unions on government policies.

Mr Lange is believed to be personally opposed to many of the policies favoured by Mr Douglas and Mr Prebble and there is continuing speculation that one or both could lose their portfolios in the coming Cabinet reshuffle.

Mr Lange has been calling for "a breather" in the pace of reform but Mr Douglas has repeatedly said there will be none.

There have been wide calls in the party and the press for Mr Douglas and Mr Prebble, the architect of the asset sales programme, to keep their jobs.



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WORLD TRADE NEWS

# US electronics makers aim to reclaim TV market

By Louise Kehoe in San Francisco

AMERICAN electronics manufacturers are seeking government support and funds for a co-ordinated effort to reclaim a major share of the US television set market, currently dominated by Asian suppliers.

This week executives from dozens of electronics and broadcast companies will converge upon Washington to present their ideas to congressmen in testimony on Capitol Hill and at an exhibition of prototype broadcast and television equipment.

The focus of much of the discussion will be the emerging technology for High Definition Television, which promises to improve vastly the quality of pictures. Japan has taken the lead in the development of HDTV and threatens quickly to dominate this next-generation television market, which is projected to grow to \$20bn in the US and \$40bn worldwide by the mid-1990s.

The emergence of HDTV could also be an opportunity

# W Germany set to gain from end to Gulf war

By David Goodhart in Bonn

THERE is cautious optimism in West German business circles that they will be among the leading beneficiaries if the Iran-Iraq war ends. West Germany has strong historic trading links with both countries and managed to alienate neither side in the course of the war.

According to the Germany-Iran Trade Organisation, more than 80 German companies kept offices in Tehran during the war while most European companies packed up and went home. It also said that Japanese and West German construction companies were likely to be most favoured in the rebuilding of the country.

Germany's exports to Iran held up quite well over the past eight years, but exports to Iraq slumped badly and a return to the 1981 level would increase the value of West Germany's total exports by more than one per cent.

In 1981 Iraq imported goods worth DM6.6bn from West Germany but last year that had slipped to DM500m. Passenger cars alone slipped from DM2.6bn to a mere DM50m. By contrast, Iran increased West German imports from DM3.6bn in 1981 to DM4.8bn in 1985 although that fell back to DM2.5bn last year.

The sectors expected to benefit most from an end to the war are petrochemicals, the car industry, textiles, telecommunications and construction. Big projects set to resume include the building of a nuclear power station by Siemens-KWU at Basra and the steel complex at Ahwaz.

One potential problem in the re-establishment of ordinary trade relations is mounting debt, especially in Iraq, which is one of West Germany's biggest debtors and Bonn is currently acting as guarantor for an export bill to the country of up to DM8bn.

West Germany's economic diplomacy has, sensibly, been split, with Mr Hans-Dietrich Genscher looking after Iran and Mr Martin Bangemann, maintaining contacts with Iraq. An early sign of what rewards can now be expected should come at the international trade fair in Tehran this month.

# Lome nations seek to widen base

Canute James, in Jamaica, on moves to add value to raw materials

WHEN negotiations begin next month for a new Lomé Convention, the 65 countries of the African, Caribbean and Pacific (ACP) group will propose measures to the European Community which aim to increase the volume of exports of finished and semi-finished products to Europe.

The current emphasis is on raw material exports. The ACP states are also formulating proposals on greater use of European Investment Bank resources and the European Development Fund in financing industrial development. The Lomé Convention allows preferential access for their goods to the EC.

This will be the second time that the ACP states have tried to get a fundamental change in the current development. The Lomé Convention allows preferential access for their goods to the EC.

This will be the second time that the ACP states have tried to get a fundamental change in the current development. The Lomé Convention allows preferential access for their goods to the EC.

# ICI in move to attack US market for automotive paints

By Ian Hamilton Fazey

ICI PAINTS has carried out its first significant reorganisation since it bought Glidden, the US paintmaking giant, in 1986. The change heralds an important shift in the company's policy towards the \$60bn-plus US market for painting cars and trucks, long thought to have been sewn up by competitors.

ICI - ICI's Canadian subsidiary - is handing over its industrial coatings business to Glidden so that ICI Paints can concentrate on automotive markets with the company's new pollution-reducing paints.

ICI is to spend \$2m (\$1.2m) improving its factory in Toronto next year. It is already strong in high-technology paints for cars, trucks, and bodywork repairs. Mr Jacob Shapiro, ICI Paints' general manager, said: "We will be committing all of our energies and resources to these mar-

# ICI in move to attack US market for automotive paints

By Ian Hamilton Fazey

are PPG, DuPont and BASF. So strong are their positions that ICI has previously shied away from a direct assault because of the likely cost, choosing instead to license DuPont to use its Aquabase technology.

Its links with DuPont were cemented further in July with the launch of Idac, a Bonn-based joint venture which the two companies hope will become one of the three or four main suppliers that the European car industry is likely to rationalise down to by 1992. However, Mr Bob Mitchell, ICI Paints' spokesman at the business's world headquarters in Slough, stressed yesterday that ICI's right to trade independently had been clearly safeguarded in all agreements with DuPont.

Official, publicly-acknowledged approval by GM would be a formidable boost to sales.

# EIB is seen as a European bank which now and then throws small change in the direction of non-European countries.

ensuring finance for the industries to process the raw materials before shipment to Europe.

"There is no way one is going to get industrialisation started or accelerated in the ACP states by the European Development Fund," the secretary general conceded. "The EDF provides grant money for some countries in the group which might be considered by potential investors as having a business climate which is not encouraging."

New industries are also unlikely to be attracted to countries which their own nationals consider financially insecure, and which contribute to the capital flight which afflicts many developing states. The ACP will suggest interest rate subsidies in the hope of increasing the viability of new projects. Mr Carrington argues, however, that there will be "vested interests" in

# Bouri oilfield promises output of 50,000 b/d

By Francis Ghiles in Tunis

COLONEL Mnammer Gadaffi, the Libyan leader, yesterday inaugurated the Bouri offshore oilfield, the largest of its kind in the Mediterranean.

Bouri, which lies 120km north east of Tripoli, has cost \$2bn to develop and will be operated by Agip of Italy.

Agip's contract with Libya's National Oil Corporation provides for an 80-20 production split, the larger share going to Libya. Production, which

started in mid-August, is currently 10,000 barrels of oil a day, a figure which will rise to 50,000 by the end of the year. Proven reserves are estimated at 500m barrels.

The Libyan leader travelled to the southern Tunisian port of Zarzis on Sunday, where he was welcomed by his Tunisian counterpart, Mr Zine El Abidine Ben Ali.

This was Mr Ben Ali's second visit to his southern neighbour in a month. It confirmed that rapprochement between the two countries is proceeding at a rapid pace. The process was initiated after Mr Habib Bourguiba, the former Tunisian President, lost power last November.

At least 300,000 Libyans have visited Tunisia so far this year on a holiday spree which has been welcomed by many Tunisians, despite the fact that it has pushed up the price of

# AMERICAN NEWS

# Labor Day ushers in US polls' final furlong

By Lionel Barber in Washington

THE US presidential race entered the final furlong yesterday with Vice-President George Bush and his Democrat opponent, Governor Michael Dukakis, each seeking a Labor Day lift to their campaigns.

Mr Bush, the Republican nominee who has wiped out a 17-point deficit in the polls, campaigned in California, where he was due to give a Disneyland send-off to the US Olympic Team on its way to

This year, Mr Dukakis has avoided the mistakes of Mr Walter Mondale in 1984, who was hurt by his close identification with organised labour. Yesterday's rally was a deliberate attempt to make inroads in the industrial Mid-West, where much of his support should lie.

With just nine weeks to go to the election on November 3, Labor Day marks the traditional opening for the presidential campaign.

President Reagan, signalling the shift to a new political season, wound up his three-week summer vacation at his ranch in Santa Barbara, California, and prepared to return to Washington. Mr Reagan will have 60 days of campaigning and manoeuvring with Congress in his final session as President before the election.

The Vice-President has hurt Mr Dukakis, still relatively unknown to the electorate,

# Managua's Dollar Shop keeps economy afloat

Tim Coome reports on a successful rival to the black market

IT is one of those odd paradoxes of Nicaragua that, despite the economic boycott and military threat from the US, a company popularly known as the Dollar Shop is rapidly becoming one of the country's biggest and most profitable businesses.

Located in the middle of Managua and undergoing a major expansion programme, the company is forecasting a turnover of \$86m (\$36m) this year. Originally designed to provide for 50 per cent of what will be profit. To put this in context, total Nicaraguan exports last year came to \$270m.

Selling imported products, ranging from baby foods to hi-fi, colour TVs, and even motor-bikes, the Dollar Shop has become a vital element in the Nicaraguan economy, helping keep it afloat in perhaps the most severe economic crisis in the country's history.

The company is a joint venture between Nicaragua's Tourism Ministry and a Panamanian concern (allegedly with Cuban connections) and was established in 1984 to tap the growing number of dollars drifting into the black market. Originally designed to provide foreign diplomatic missions with a place to buy luxury goods, rather than having to import them from the Panama Free Trade Zone or directly from their own countries, the company has now opened its doors to anyone with dollars to spend.

Mr Herly Lewites, the Minister of Tourism, rejects criticisms that the shop is creating a sharply divided society, with a privileged elite able to purchase a wide range of imported luxury goods while most of the population barely earns the equivalent of \$20 per month.

"With the profits [from the Dollar Shop] we are able to import essential raw materials to keep our industries and farms working, and expand tourism facilities which not only benefit Nicaraguans but also earn more foreign exchange for the country," he says.

Nicaragua's foreign exchange crisis has never been worse. Last year the visible trade deficit reached \$530m, twice the country's annual export earnings. Early predictions for exports this year

# Tensions in Chile set to increase

By Mary Helen Spooner in Santiago

ABOUT 300 people were arrested and several injured after a mass rally in the capital, Santiago, organised by Chilean opposition groups calling for a "no" vote against President Augusto Pinochet in the October 5 plebiscite.

Although Sunday's rally, which attracted at least 200,000 people, ended without disturbances, several hundred Chileans began marching down the city's main avenue towards the centre.

Riot police moved to disperse them with tear gas and water cannon, calling in reinforcements to contain the marchers, who, nevertheless, managed to reach the La Moneda presidential palace.

Looters ransacked a television and stereo store several blocks away and, in a separate incident, a youth claiming to be the son of a Chilean political prisoner placed a bomb in a shop near the rally.

The bomb shattered the shop's windows and injured at least one woman. The youth, who refused to identify himself, was seized by anti-government demonstrators.

The disturbances subsided in the early evening and by yesterday morning the capital had returned to normal. However, proponents of both the "yes" and "no" vote are organising more rallies and Sunday's events suggest that political tensions in Chile will increase as the date for the plebiscite approaches.

Gen Pinochet went on television on Sunday night, his third such appearance in less than a fortnight. The 25-minute programme consisted of an interview conducted by the press attaché from the Chilean mission to the United Nations, who at one point asked Gen Pinochet if he liked being in a position of power.

The Chilean leader, filmed in

# Panama output 'at only 50% of capacity'

By Tim Coome in Panama City

PANAMA'S economy is working at only 50 per cent of its capacity, according to Mr Mario Rognoni, the Trade and Industry Minister.

In an interview published yesterday in the pro-government daily La Estrella he said that economic and political pressures from the US had prompted a big fall in output and caused the loss of more than 50,000 jobs.

These figures are even more dramatic than those produced by opposition sources, who estimate that the downturn in the economy this year has been between 25 and 30 per cent of Gross Domestic Product and that unemployment will reach 31 per cent of the 800,000 economically active workforce by the end of 1988.

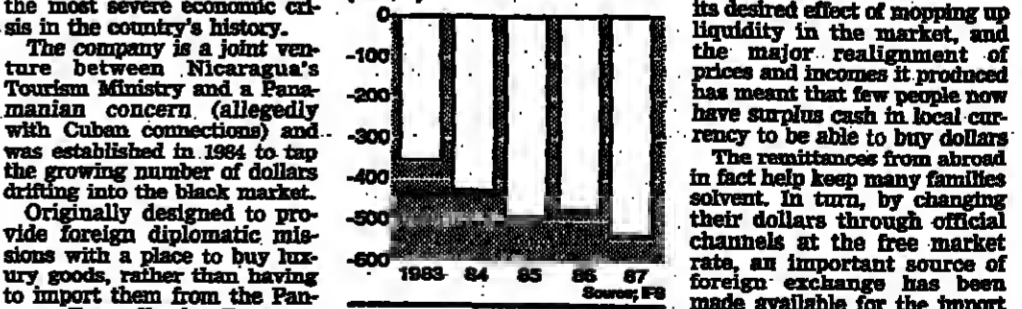
Last week President Manuel Solis Palma said the US had declared "an economic war" against Panama and sought to destroy the country's offshore banking centre. The result, he said, "is threatening the very survival of the Panamanian nation."

He said the Panamanian Government's income had fallen by more than 40 per cent this year and that this would necessitate lay-offs and wage cuts in the public sector.

The US imposed economic sanctions against Panama in March and April after the dismissal of President Arturo Delvalle by the Panamanian National Assembly.

The sanctions included the freezing of Panamanian government assets in the US and the withholding of royalties due to Panama from the Panama Canal and the trans-isthmus oil pipeline.

# Nicaraguan Trade deficit



show a further decline to \$250m, according to government planning officials.

Imports meanwhile stick stubbornly at the level of some \$900m per year. Any reduction below that level creates a vicious circle of raw material shortages, causing bottlenecks in agricultural and industrial production and falls in exports.

The huge deficit on the current account is financed primarily by the Comcon countries, whose donations and soft credits amount to an estimated \$300-400m annually. Supplies of Soviet crude oil amount to an average of \$100m per year.

Western European governments keep a further trickle of

The amount of foreign currency flowing through the chain of exchange businesses he manages has doubled in the past two months and he expects it to double again by the end of the year to reach a turnover of \$2.5m per month.

Negocios de Cambio is a wholly state-owned subsidiary of the National Financial System, which operates Nicaragua's nationalised banking system. Profits from the business are ploughed back into the economy. Mr Rios said that since the recent austerity measures, virtually all the demand for foreign currency now comes from private businesses wanting to import spare parts and machinery, rather than individuals wanting to travel or to hold dollars as savings.

The orthodox shock treatment of measures in June has had its desired effect of mopping up liquidity in the market, and the major realignment of prices and incomes it produced has meant that few people now have surplus cash in local currency to be able to buy dollars.

The remittances from abroad in fact help keep many families solvent. In turn, by changing their dollars through official channels at the free market rate, an important source of foreign exchange has been made available for the import of vital parts and materials.

Mr Lewites estimates that from all sources - family remittances (\$70m), government incentives to farmers (\$30m), foreign diplomatic missions and tourism - a total of \$150m a year circulates through the economy beyond the reach of the central bank. "This year we hope to tap 60 per cent of that," he said, through the Dollar Shop business and the hotels which charge foreigners in US currency. Negocios de Cambio meanwhile hopes to catch a further \$15-20m and to double that figure next year.

But the ingenious Mr Lewites does not intend stopping there. Besides building several new tourist complexes around the country, he is also planning to open three new cinemas which will charge filmmakers in dollars. "That way we can afford to import the latest foreign films and afterwards distribute them in the other cinemas for the rest of the population."

# Nova Scotia election to test Tory backing

By David Owen in Toronto

NOVA SCOTIANS go to the polls today in a contest which will give Canadian Prime Minister Brian Mulroney's election strategists a measure of the strength of Conservative support in the east of the country.

Mr John Buchanan, the long-serving Conservative premier of Nova Scotia, presides over a commanding majority in the 55-seat provincial legislature. However, the Liberals under Mr Vincent MacLean are widely expected to give him a run for his money.

Last October another Conservative stalwart, Mr Richard Hatfield, was humiliated when his party failed to win a single seat in a provincial election in neighbouring New Brunswick.

The strength of the local economy has undoubtedly helped Mr Buchanan's campaign. With a remarkable sense of timing, Michelin Tire - the province's largest private sector employer - a few weeks ago announced a big expansion scheme.

However, Mr Buchanan, 57,

# Novelty Mr MacLean has been severely criticised for the scandals which have plagued his administration.

Earlier this year Mr Buchanan's deputy, Mr Roland "Rollie" Thornhill, resigned from the Cabinet after reports showed that banks had forgiven a portion of an outstanding debt shortly after he joined the Government in 1981. Two other former ministers and a backbencher have been convicted of offences.

But, in a surprisingly subdued summer campaign, the uncharismatic Mr MacLean has apparently failed to ram home his potential advantage. Mr Alexa McDonough, the popular New Democratic Party leader, has meanwhile been hampered by the party's traditional lame-duck status in the province.

All polls but one - which gave the Tories a healthy nine-point lead - have shown the Conservatives and Liberals running neck and neck, with the left-of-centre NDP bringing up the rear.



The late President Allende's daughter Isabel, now back from exile, with Ricardo Lagos, president of the Party for Democracy

UK NEWS

Rolls Royce seeks new R and D materials

By Lynton McLain

ROLLS-ROYCE, the UK aero-engine company privatised last year, is changing its research and development strategy to focus spending on new materials and processes.

The aim is to achieve substantial improvements in engine performance, to produce ceramic engine parts and possibly a complete jet engine ahead of its international competitors.

This would be lighter and smaller, but more powerful for its weight than anything the company has so far produced, although it may not be ready for 10 to 15 years. It would enable radical changes to be made in the design of aircraft.

New materials are regarded by the company as providing the greatest opportunities for future engine technology, in place of traditional mechanical design improvements.

All the company's international competitors, including General Electric and Pratt & Whitney of the US, Snecma of France and the Japanese Aero Engine Corporation are also considering new materials.

The concentration on research into new materials is underway just as the British Ministry of Defence is seeking to get better value for its research expenditure in the private sector.

Carbon fibre is still being studied. But the emphasis is much more on ceramics, materials which can withstand very high temperatures. These offer the prospect of doubling jet engine performance, while simplifying engine production.

To minimise the risk that the search for new materials could overstretch the company, Rolls-Royce has appointed an external Materials Advisory Board of specialists, under the chairmanship of Sir Alan Cottrell professor of metallurgy at the University of Cambridge.

THE FARNBOROUGH INTERNATIONAL AIR SHOW

Long McDonnell-Douglas jet may get BAe wings

By Michael Dome, Aerospace Correspondent

BRITISH Aerospace, which builds the wings for all Airbus airliners, may also find itself building the wings for a new stretched version of the US McDonnell Douglas MD-11 tri-jet airliner.

This possibility emerged at the Farnborough International Air Show yesterday when McDonnell Douglas revealed its plans for the new aircraft.

The standard version of the MD-11 is already in production and is due to enter airline service in 1990.

The "super stretch" MD-11 now planned would be 35 feet

(a little over 10 metres) longer in the fuselage than the standard aircraft and would seat more than 360 passengers against 280. It would be able to fly up to 8,000 statute miles (12,860km) non-stop. It is planned to come into service in 1994, and is intended to challenge the dominance of Boeing of the US in the world's long-range airliner markets.

Announcing the new aircraft, Mr Jim Wortham, president of the Douglas Aircraft Division of McDonnell Douglas, said that it could use the new, more powerful version of the

Rolls-Royce RB-211-524 engine. But the choice of engines would be a matter for airline customers and not McDonnell Douglas.

Mr Wortham said that Douglas hoped to sell between 300 and 400 of the standard MD-11 by the end of this century, with up to another 400 of the super stretch version.

Orders and options for the standard aircraft currently stand at 146 from 21 customers, with break-even of the non-recurring development costs of \$550m being covered by sales of 110 aircraft.

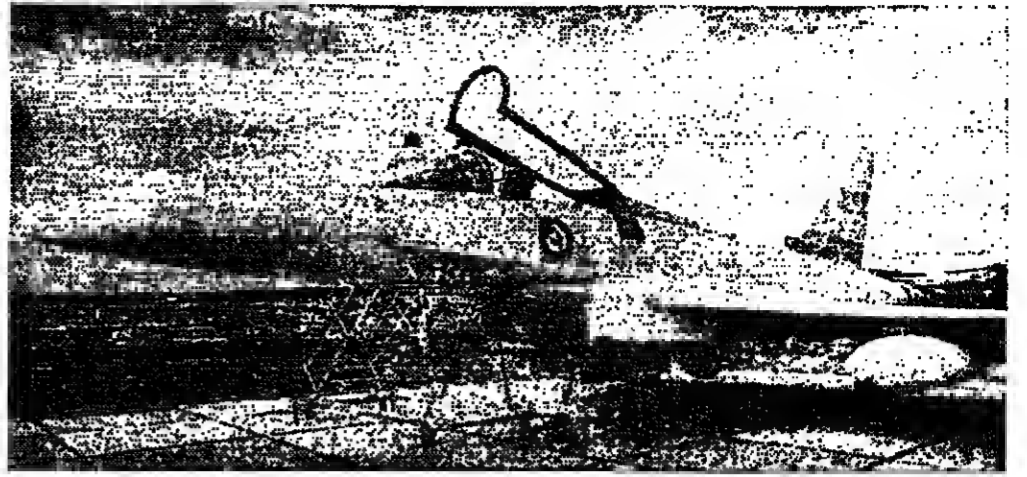
Eurofighter confident of Spanish commitment

By David White

THE EUROFIGHTER consortium is confident that Spain will stay in the £22bn four-nation project despite French efforts to woo it into the rival Rafale fighter programme, Mr Gerrie Willox, Eurofighter managing director, said yesterday.

Both Construcciones Aeronauticas (CASA), the Spanish industrial partner, and the Madrid Government were providing full support for the European fighter aircraft, he said.

The Spanish authorities have yet to subscribe to the memorandum of understanding, which the UK, West Germany and Italy signed on May 16, committing the partners to



Eurofighter: the first prototype will fly in 1991

a \$5.5bn development. But Mr Willox denied that this delay was in any way holding back the project. No contingency plans had been made for a Spanish withdrawal, he said.

He indicated that development would account for only about a quarter of the total cost, bringing the overall figure to £22bn, somewhat higher

than the initial £20bn estimate.

Mr Willox was confident that West Germany would eventually take its full complement of 260 aircraft, the same as Britain, thus fulfilling the forecast requirements of almost 800 aircraft between the four partners.

The first prototype is expected to fly with an interim engine in mid-1991, entering service in 1996.

Mr Ivor Yates, the chairman of the venture, said he saw good prospects for sales outside the four partners. Other NATO countries had already shown interest, he said.

Plessey hopes for \$100m order from US after ITT deal signed

By David White, Defence Correspondent

PLESSEY, the electronics group, is hoping for more than \$100m worth of US military orders for digital aircraft navigation receivers, under an agreement signed with ITT at the Farnborough Air Show yesterday.

The agreement gives Plessey

the foothold it is seeking in the US market for its newly-developed receivers, designed to work in conjunction with the Navstar satellite network. This market is currently dominated by the US Rockwell International Group.

Plessey claims that its

"global positioning system" receivers, which ITT will promote in the US, are able to pinpoint an aircraft's position to within 16 metres in any direction.

Once the satellite network is complete, this should be possible in any part of the world.

Boeing plans to boost output to 34 airliners a month

By Michael Dome, Aerospace Correspondent

BOEING, the world's biggest manufacturer of jet airliners, is planning to increase the production rate of several of its aircraft models from an overall total of 27 to 34 aircraft a month during 1989 to meet a

backlog of orders now standing at over 1,000 aircraft.

Boeing has won new orders for 499 aircraft so far this year, worth over \$21bn, exceeding the previous record set in 1978 of 461 jets in a year.

Mr Philip Condit, executive vice-president of Boeing Commercial Airplanes, said production of the type 737 short-range jet airliner would go up from 13 to 17 a month, that of the 757 medium-range jet from four

to seven a month, and of the 747 long-range Jumbo Jet from four to five a month.

Boeing also said it had won an order worth \$125m from the Civil Aviation Administration of China for another three 737

CFM order book up by \$15bn

By Lynton McLain

CFM INTERNATIONAL, the joint company of General Electric of the US and Snecma of France, has firm orders worth \$15bn for 5,000 of its jointly produced CFM56 engines, the company said yesterday.

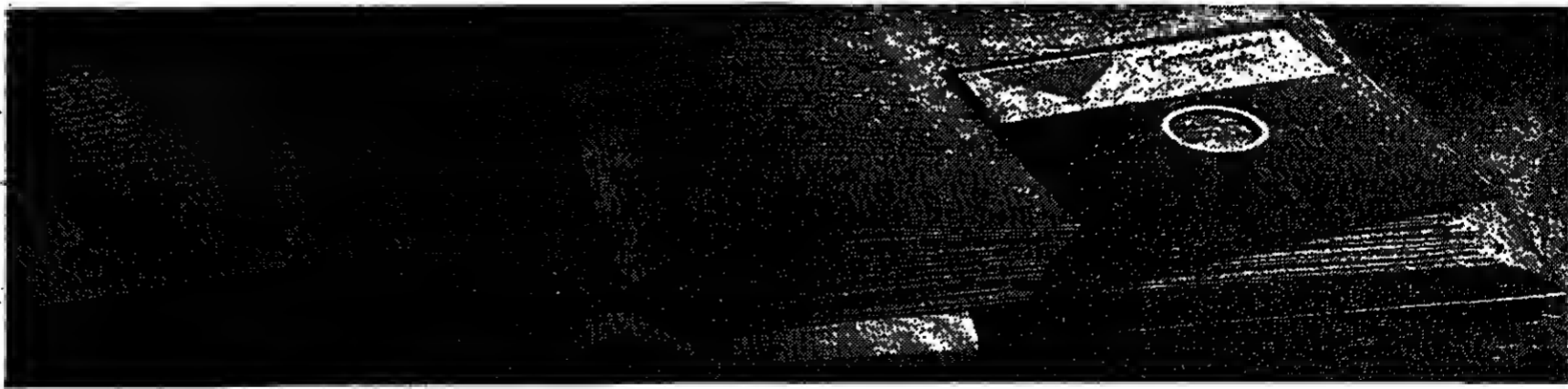
Mr Edward Bavaria, senior vice-president for marketing at CFM, said the order intake for the Franco-US company had set a record this year. More than 1,400 engines had been ordered by Airbus Industrie and Boeing, for the A320 and Boeing 737 respectively.

Textron Lycoming, the US manufacturer of small-to-medium sized aero-engines has launched a new series of commercial turbo fan engines in the \$8,000 to \$10,000 thrust category.

The engines are derived from the company's \$7,000 thrust ALF502R engine. This is the engine that powers the British Aerospace 146 regional airliner.

The new series of engines is being studied by Short Brothers of Belfast, Northern Ireland, for their proposed FX1 airliner.

If we only made cash registers, local government would still be working by the book.



\*UNIX is a trademark of AT & T Bell Laboratories.

The Domesday Book - the first public record and the first document produced in triplicate - only covered parts of Britain and was never completed. Information retrieval's come a long way since 1087; today, NCR offer a range of high quality, high technology hardware and software solutions - including specialist software packages - for any size and type of business. From the UNIX\* based Tower family to the fault tolerant V9800; from retail terminals to networked PCs; this expertise - backed by our experience as a major computer manufacturer; financial stability, comprehensive customer service and support, and commitment to industry standards - ensures long term protection of our customers' investment. You could say we've taken computing out of the dark ages... Get in touch on 01-724 4050.



Table titled 'GRANVILLE SPONSORED SECURITIES' with columns for High/Low, Company, Price, Change, Dividend, Yield, and P/E ratio. Lists various companies like Anglo-Continental, Anglo-Continental, Anglo-Continental, etc.

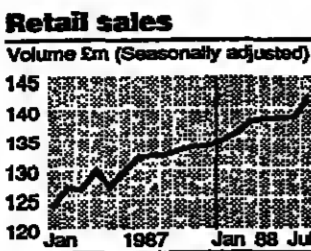
Advertisement for 'GILT EDGED GIFTS FROM THE FINANCIAL TIMES' featuring a calendar and other financial products.

UK NEWS

Retail sales leap by 2.4 per cent

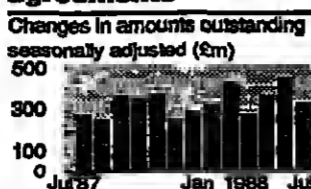
By Ralph Atkins, Economics Staff

BRITISH RETAIL sales leapt by 2.4 per cent in July and consumers' appetites for credit continued to grow, according to official figures released yesterday. The figures confirmed the strength of UK economic growth but added to fears of rising inflation and increasing imports as a proportion of high street sales. Retail sales grew faster than the 2 per cent rise forecast in provisional figures. Department of Trade and Industry figures show the amount outstanding on consumer credit agreements increased by £310m in July to £25.4bn. That was less than increases of £440m in June and £370m in May. However, there are no clear signs of a slowdown in the underlying growth rate - in spite of the steep rise in base rates since the end of May. In the three months from May to July, the increase in the amount outstanding was £1.1bn compared with £1bn in the previous three months. The figures cover bank credit cards and agreements with finance houses, building societies, retailers and specialist credit grantors. New credit advanced to consumers, before taking repayments into account, totalled £3.4bn in July compared with £2.7bn in June. The total in the



three months to July was 5 per cent higher than in the previous three months. The DTI index for retail sales volume indicates that high street spending may have accelerated. In the three months from May to July, sales volumes were 1 1/2 per cent higher than the previous three months, after seasonal adjustment. Sales were 7 per cent higher compared with the same period a year before. Financial markets shrugged off the figures. The FTSE 100 share index ended 17.6 up at 1784.5 in thin trading with Wall Street closed for US Labor Day. Government securities weakened initially on fears of interest rate rises but later recovered. City analysts are now looking for evidence of a sales slowdown in August. The Confederation of British Industry/Financial Times distributive trades survey covering

Consumer credit agreements



reported sales in August and expectations for September is published on Thursday. Provisional DTI figures for August retail sales are released on Monday. July's upswing in retail sales was due largely to Budget tax cuts which began to feed into pay packets. The DTI said wet weather, such as that in July, tended to increase sales in summer months - possibly because people were discouraged from spending time on leisure activities. Sales and credit growth have been underpinned by earnings continuing to rise much faster than inflation. The buoyancy of house prices has also increased the wealth of the personal sector and boosted confidence. The retail sales figures show a big increase in sales of household goods including items such as washing machines and

television sets. In the three months to July, sales volumes were 4 per cent higher than the previous three months. The DTI said that within this category, sales of furniture, carpets and electrical goods were exceptionally strong. The seasonally-adjusted index of retail sales volumes stood at 140.1 in July (1980=100) compared with 136.8 in June. The value of sales in July was £28.6bn - 10.3 per cent higher than the same month a year before. Retail sales are likely to rise further in the autumn as earnings continue to grow. Higher mortgage rates in October could curtail spending but consumer credit is widely acknowledged as fairly insensitive to interest rate rises. The credit figures show the amount outstanding on bank credit cards increased by £18m in July compared with an increase of £140m in June. The amount outstanding on agreements with retailers also increased at a slower pace in July than in the previous month. There was a dip in the amount lent to consumers by finance houses and specialist credit grantors. The DTI said this could have been because of people delaying buying cars on credit until August when F-registrations started.

Postal services at a standstill as strike escalates

By Michael Smith and Alice Rawsthorn

POSTAL services in London, Scotland and the north west of England were at a virtual standstill last night as the dispute over the Post Office's tactics in clearing the mail backlog caused by last Wednesday's 24-hour stoppage escalated. Union leaders claimed that about half Britain's postal workers went on strike, while the Post Office said that 49,000 of its 140,000 full time staff were not working. The effects had been worsened because the strikes were concentrated in the main sorting centres, it said. Most of the locally-based strikes have been sparked by the Post Office's use of casual labour and private transport in its attempts to speed the recovery of the mail system following last Wednesday's 24-hour national strike. Informal negotiations between the Union of Communications Workers and the Post Office aimed at opening the possibility of formal talks were set to continue today. Mr Alan Tuffin, UCU general secretary, said the strike was proving tense and delicate. He said: "I do not see any cause for optimism." The Post Office suspended its international mail service because of industrial action at the main international sorting centres in London, Manchester and Glasgow. Normally about 5m letters are posted overseas in the UK each day. Letters and parcels coming into the UK from overseas countries have been piling up at the Royal Mail depot near Heathrow Airport, London. At Liverpool, violence broke out on a picket line, with bottles thrown as about 100 casual staff were escorted into work by police at the city's head post office. Only one in three of all domestic letters is still going through the system, according to the Post Office. The Post Office handles 44m inland letters and parcels every day, but the strikes mean that only about 15m will be delivered. Even these may be subject to delays. Mr Tuffin said he wanted the local disputes resolved before he would agree to talks on pay supplements for new recruits, the issue which sparked the industrial action and the 24-hour strike. Unless progress was made in the talks it was inevitable that postal workers in all parts of Britain would soon be on strike, he said. The Post Office said 40 of its 80 sorting centres and 280 of the 1,500 delivery offices were closed. No sorting offices in Inner London and only three in Manchester were working. Mr Cockburn said about 70m letters were awaiting delivery. He accused the unions of "inflaming the situation" with "false claims" that it was recruiting large numbers of temporary staff to clear the backlog of mail. He confirmed that the Post Office had hired 500 temporary employees in addition to the 2,500 temporary staff normally hired at this time of year. The worsening situation coincided yesterday with an increase in postal charges. First class letters became 1p dearer at 19p with second class letters going up to 16p. Mr Michael Caswell, UCU's Government action to remove the Post Office's monopoly does not appear to be imminent but ministers are increasingly concerned at the impact of the spreading dispute and are making it clear that they will see if the situation continues to deteriorate.

Good neighbours learn to fight crime in the City

Alan Pike looks at the policing of central London

SERGEANT Dick Lettin of the City of London Police recites a despairing little tale which comes as no surprise to his audience. "We've been having problems at a newly refurbished office block," he tells the members of an unusual type of neighbourhood Watch scheme. "There are 81 different tenants in there and the reception desk is in the middle. So no-one has to go to reception to get into the building." The City office block has recently been modernised, and has plenty of television monitors. But one person in the reception area is supposed to watch all the screens - an impossibility. So it has been visited by groups of walk-in thieves. The police have responded by establishing an information stand in the reception area, sending notices and a crime prevention newsletter to all tenants and posting plain clothes officers to carry out random checks on suspicious looking people wandering around inside. Neighbourhood Watch, an increasingly popular scheme whereby a small district's police and residents co-operate in crime prevention, usually involves images of suburban householders peering from behind curtains on the look-out for anything suspicious in the quiet street outside. But in the City of London it takes a different form, with the police involving their version of householders - the business community - in efforts to reduce crime. Conventional Neighbourhood Watch schemes are a product of the 1960s, but the City of London Police's involvement with businesses goes back to the 1950s. Today three crime prevention associations cover the Square Mile, which maintains one of Britain's smallest police forces. The associations consist of police officers and security specialists from City companies who look for ways of overcoming the temptations of the area, offers criminals, from handbag thefts in offices to computer fraud. Members at the association meeting attended by Sgt Lettin - one of the force's specialist crime prevention officers - note the efforts the police are making to overcome the serious problem of people being able to stroll unchallenged around big office blocks, and continue with their agenda. They receive approving reports on a visit to the police driving school by chauffeurs of City company chairman. Business leaders are potential targets for kidnap attempts and the drivers were being instructed in ways of protecting their employers. Forget old-fashioned courtesies, like getting out of the car to open the back door, is the advice. Have the engine running and drive off as soon as the boss is aboard. Another item on the agenda concerns a video and booklet aimed at women workers, produced by the association in conjunction with Brook Street Bureau, the employment agency. One consequence of the financial markets revolution is that far more women work late in City offices. The association is trying to explain to them and their employers how they can be protected at work and while travelling. Some of the items on the crime prevention association's agenda might suggest that the City of London is a European capital of crime. In many ways the reverse is the case. In terms of violent crime it is probably one of the safest big city centres in the world - there were 25 muggings in the Square Mile last year, but three people killed and 432 injured in road accidents. Mr William Taylor, the City Police's assistant commissioner, greatly values the support the business community gives through the crime prevention activities. "Community policing is as important in the City as anywhere else. Our community is an unusual one but its support is as necessary for us as for any other police force." The crime prevention associations, which are active and well-attended, succeed in raising awareness about crime prevention and detection, an essential ingredient in police work, he says. Shops, pubs and schools in and around the City have all been involved in their crime prevention activities. The City Police are involved in some specialist areas such as fraud investigation and VIP protection to a greater degree than most forces. But in other ways the 800 officers, overseen by the police committee of the City Corporation, preserve the atmosphere of a local police force answerable to a local authority - something which has disappeared elsewhere in the country with the trend to larger forces. Both Mr Taylor and Deputy William Horlock, chairman of the City Police committee, see advantages in this which would disappear if the City force were ever amalgamated with the much larger Metropolitan Police - a possibility which has been discussed in the past.

Tunnel may spark fresh inter-union strife

By Jimmy Burns, Labour Staff

THE Channel Tunnel could become the setting for a fresh round of inter-union warfare, following yesterday's expulsion from the TUC of the EETPU electricians' union. Mr Paul Bevis, the EETPU's outgoing official for the construction sector, said his union intended to recruit actively in all sectors involved in the project. He was also willing to consider a single-union no-strike agreement that would exclude rival unions. Mr Bevis said: "We shall meet with the employers in an attempt to reach an agreement that suits our members as well as the employers... We could accommodate a single-union no-strike deal." The EETPU is privately confident that it could secure a deal, covering such areas as the running of the shuttle service across the Channel. It has

been encouraged by developments at the Docklands Light Railway, where employees voted to be represented by the EETPU rather than the traditional rail unions. However, other unions, which together with the EETPU are already involved in the construction phase of the Channel Tunnel project, warned yesterday that such an agreement would be strongly resisted. Mr George Henderson, the TGWU transport union's national secretary for the construction sector, predicted there could be "major problems for the project's industrial relations if there was any 'intrusion' by the EETPU into an area where there are recognised trade unions. Mr Henderson said: "We as a union have no problem with

reaching single-union deals, provided there is proper consultation with other unions that have an interest in the project... If there is no such consultation, there could be serious industrial trouble." Union officials emphasise the relatively harmonious industrial relations that have existed on the construction phase of the project. However, the officials suggest that the expulsion of the EETPU has put a question mark over the future of the ad hoc joint employer-union co-operation on the project that was initiated at a meeting in Brussels in May 1987. That meeting was attended by officials of all the trade unions involved, senior management of Eurotunnel, and Transmanche Link, the Anglo-French construction consortium, and representa-

tives of the French and British governments. Previous TUC objections to the project were brushed aside. The TGWU, along with UCATT, the construction workers' union, and the GMB general union, are currently signatories of a civil engineering working rule agreement with the Federation of Civil Engineering Contractors. This covers wages and conditions and exhaustive procedures for resolving disputes, which do not exclude the right to strike. A similar but separate agreement involves the EETPU and the Federation. The TGWU claims to be the majority union involved in the Channel Tunnel project, but this is disputed by the EETPU. Some union officials fear that rivalries may be fuelled as increasing pressure is put on the workforce.

EC finance directive under fire

By Clive Wolman

THE LONDON Stock Exchange's 1982 working committee, set up in April to examine the effect of European integration on the securities industry, publishes today a critique of the European Commission's proposals for investment services. The criticisms, aimed at the third draft directive, on investment services, will be passed to the Commission in Brussels next week by officials of the Trade and Industry Department, and Securities and Investments Board, the chief investor protection agency. Meanwhile, the SIB said it had reached agreement with eight more overseas regulatory bodies to supervise financial institutions with branches in the UK. They are the Reserve Bank of Austria, Central Bank of Ireland, Commission Bancaire of Belgium, Nederlandsche Bank, Canadian Superintendent of Financial Institutions, Swiss Banking Commission, Sydney Futures Exchange and the US Commodities Futures Trading Commission.

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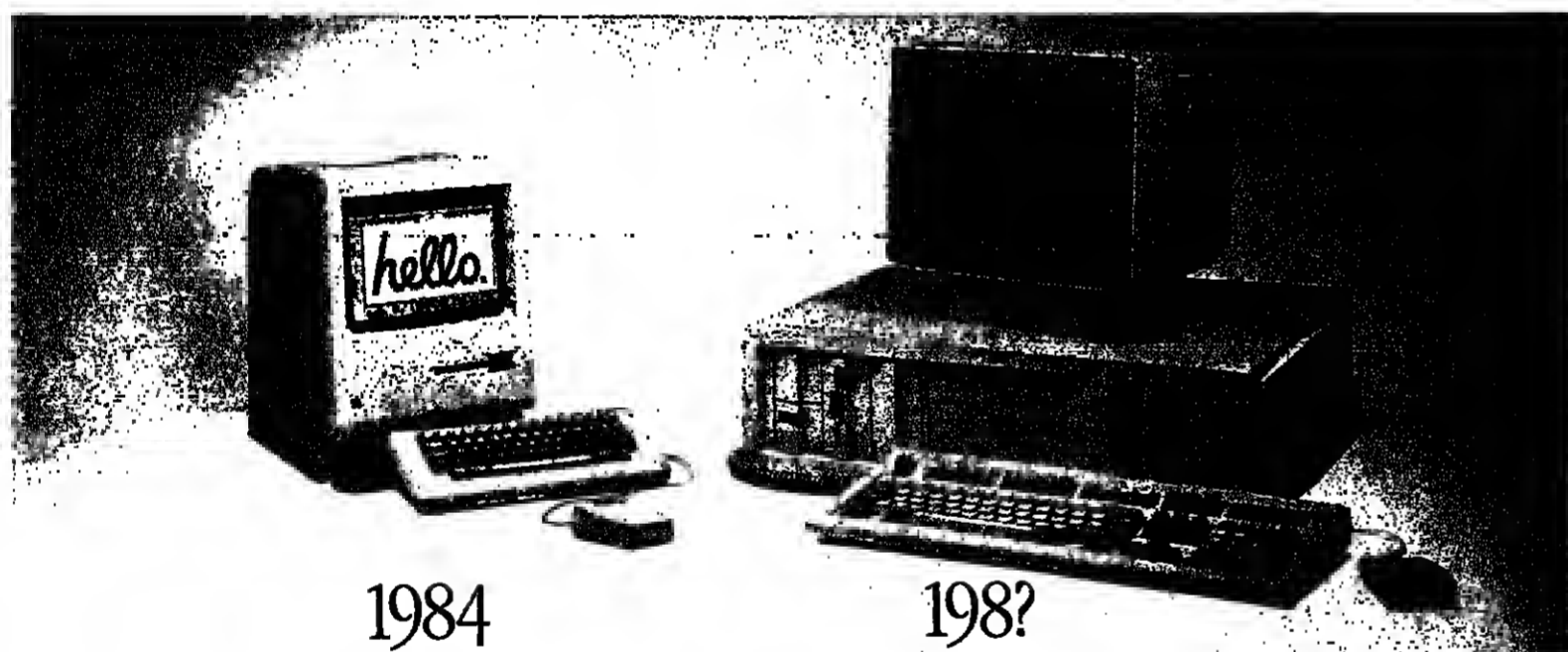
The passengers on this flight left Heathrow at 10.30am, yet will touch down in New York a little after nine o'clock. They could then be on Wall Street in under an hour, a full day's work ahead. They could only be on one aeroplane.

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# What our competitors hope to do tomorrow, Apple did yesterday.

Apple Computer actually set the ball rolling in 1977 when we created the very first personal computer.

have recently adopted the same size. DeskTop Publishing was created by us in the following year to help businessmen produce



professionally printed documents in-house. Low-cost networking also saw the first light of-day in 1985 when we introduced AppleTalk™. This gave Macintosh computers the ability to talk to each other as well as with peripherals. Nothing could be simpler, you just plugged one cable into another to open the dialogue.

In 1984 we created another first with our launch of the Macintosh™ personal computer. Our competitors then, and now, could only greet it with a blank stare. Macintosh, rather than using computer jargon, used easily understood words and symbols such as files, folders and menus which, with the help of a mouse, speeded and simplified operating.

In 1987 we launched HyperCard™, a revolutionary way of storing and accessing information. One that is creating an entire industry in multi-media information management.


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As a result of the keenness consumers have shown for our innovations they have now become industry standards.

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Consequently, we've grown to become the largest dedicated manufacturer of personal computers in the world. To discover more about Apple Computer dial 100 and ask for Freefone Apple.

Next year our competitors hope to catch up with our performance in 1984.

What will we be doing? Suffice to say old habits die hard.  Apple. The power to succeed.



UK NEWS

Top scientist argues case for more research funding

By David Fishlock, Science Editor

A POWERFUL plea for both government and industry to increase their spending on science was made by one of Britain's leading biochemists, opening the annual meeting of the British Association for the Advancement of Science in Oxford last night. Sir Walter Bodmer, research director of the Imperial Cancer Research Fund laboratories in London, in his presidential address to the British Association, urged the Government to transfer funds from other areas of research such as defence, to reinforce basic science in Britain. The universities, however, needed to develop ways of managing research more efficiently, and were not the best place for acquiring the skills of good scientific management, he added. Sir Walter, a former member of the academic staff at Oxford University, strongly supported Government efforts to develop the controversial new inter-disciplinary research centres (IRCs) in universities. Such centres were essential for the maintenance of an ade-

quate level of fundamental scientific research in Britain, and would be a good training ground for much-needed research managers, he said. "Most areas that are now at the forefront of scientific research are, to a greater or lesser extent, interdisciplinary and derive great benefit from the intellectual stimulus created by close interaction between outstanding scientists to different disciplines." He attributed the fact that his own research institute, which relies for most of its funding on charitable donations, had maintained standards "competitive with any institution to the world" to its having "created interdisciplinary centres of excellence in cancer research." Effective management and organisational research were needed, whatever the level of support, he added. Sir Walter said it was "surely always much better to give adequate support to a more limited number of productive laboratories than to create equal misery for all." Even so, there was a wide-

N-plant site draws 9,000 applicants

By David Green

MORE THAN 9,000 people from all over Britain have now applied for work on the Sizewell B nuclear power station site in Suffolk, north-east of London, nearly four times the number of jobs which will be available during peak construction. However, a shortage of qualified civil engineers has forced the main contractor, John Laing to recruit workers from as far afield as Australia, New Zealand and Malaysia. Nearly 1,000 people are now helping to build Sizewell B, Britain's first pressurised water reactor (PWR) nuclear power station. The workforce will rise to a peak of 2,300 during the next two years, when the main construction phase is due to be completed. Work started on site in March last year, and the £1.7bn power station is expected to start feeding into the national grid in 1994. Detailed site investigations are to proceed shortly into the purchase of adjacent land for a Sizewell C plant, which would also be a PWR.

Nuclear industry looks for energy David Fishlock on a symposium to discuss supplies of uranium

THE URANIUM Institute, a London-based think-tank for the international nuclear energy industry, is this week holding its first symposium for a decade to focus on future supply of the mineral rather than demand for it. Over-capacity in uranium and nuclear fuel production has been the dominant issue of the 1980s, because the industry has failed to keep up with 1970s forecasts for installed nuclear electricity capacity. But the institute estimates that by 1993-95 uranium demand will match the capacity of the mining and processing industry. The architect of the London meeting is Ms Jan Murray, who has been the Institute's secretary-general for the past year. "I thought it was time to ask hard questions about what ought to be done," she says. The physical aspects of expansion are more in demand in Australia, for example - need only five to seven years. The political and regulatory uncertainties can take much longer. Australian-born Ms Murray was hired in 1979 from a French university school after gaining a masters degree



Jan Murray of the Uranium Institute: "I thought it was time to ask some hard questions about what ought to be done"

soothing of public anxieties." Late that month Chernobyl exploded, reviving all the earlier public anxieties. "It was a huge setback," she said. As Ms Murray sees it, nuclear energy has two "inconveniences". One is that it involves quantities of radiation which demand exceptionally high standards of quality control and management. The other is that some of the technology can potentially be used to make nuclear weapons. "But there are various mechanisms by which these inconveniences can be reduced to tolerable levels," she says. Almost from its inception the institute has admitted uranium consumers as equal partners, reducing fears that it might become a price-fixing body. Producer members represent almost four-fifths of the Western world's uranium production, and the consumer members represent nearly half the West's present electricity production. Each side alleges that the other is dominant. Chairman of the symposium this week is Mr Roy Lloyd, president of the Canadian mining group, Saskatchewan Mining Development Corporation.

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- design, manufacture and installation of railway and industrial barrier control equipment.
- substantial order book.
- employs approx. 200 people.
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- established outlet in the USA.

**Godwin Warren Parking Limited**

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- off-airport parking for holidays and business.
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**Apsley Signs and Graphics Limited**

- manufacture and supply of full range of signs and, in particular, traffic signs.
- wide ranging customer base including Local Authorities, British Rail, etc.
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- employs 16 people.
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For further information, contact the Joint Administrative Receivers: Sue M. Watson FCA and Jack Lewis FCA, Godwin Warren Control Group, Southgate, Whitefriars, Lewins Mead, Bristol BS1 2NT. Tel: 0272 277323 Fax: 0272 230026.

**Arthur Young**  
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Queen Square House, Queen Square, Brighton BN1 3GD. Telephone: (0273) 820042 Fax: (0273) 23723  
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All enquiries should be addressed to: C J Barlow FCA and R W Birchall FCA, Joint Administrators, Cork Gully, 86 Queen Square, Bristol BS1 4JP. Telephone: (0272) 277165. Telex: 448632. Fax: (0272) 307008  
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THE LEGAL PROFESSION

The Financial Times proposes to publish this survey on: Thursday, 20th October 1988

FINANCIAL TIMES

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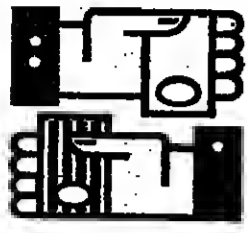
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or write to her at: Bracken House, 10 Cannon Street London EC4P 4BY

Handwritten note: Just, no list

# FINANCIAL TIMES SURVEY



The US drought has meant an increase in commodity fund participation; sugar and rubber have had

a strong year, too. International agreements have been less successful, however: coffee and cocoa prices have continued to slide, writes David Blackwell

## A thirst for speculation

THE PAST year has seen the world of commodity markets change dramatically.

The most positive cause has been the drought in the US - bad news for farmers, but good news to the Chicago markets, which soared as the prospects of a disastrous harvest loomed ever larger. The surge in prices drew in speculative money which had been looking for somewhere to go since the stock market crash in October last year.

In the period from January to July, the Chicago Board of Trade's agricultural futures volume soared when compared with the same period in the previous year. The soybeans contracts were the most volatile, and increased in volume by 79 per cent. But wheat contracts traded 70 per cent more, and corn (maize) 42 per cent, while US Treasury Bond futures - the market leader - were only 12 per cent up.

Speculative money spilled over from Chicago to New York, causing unexpected surges in the cocoa and coffee markets, and fuelling the rise in sugar prices, which touched seven-year highs in July.

"An immense amount of money has switched away from the metals and financial markets," according to Mr Richard Feltes, director of research at Refco, in Chicago. "An

increase in volume of this size indicates an enormous increase in commodity fund participation."

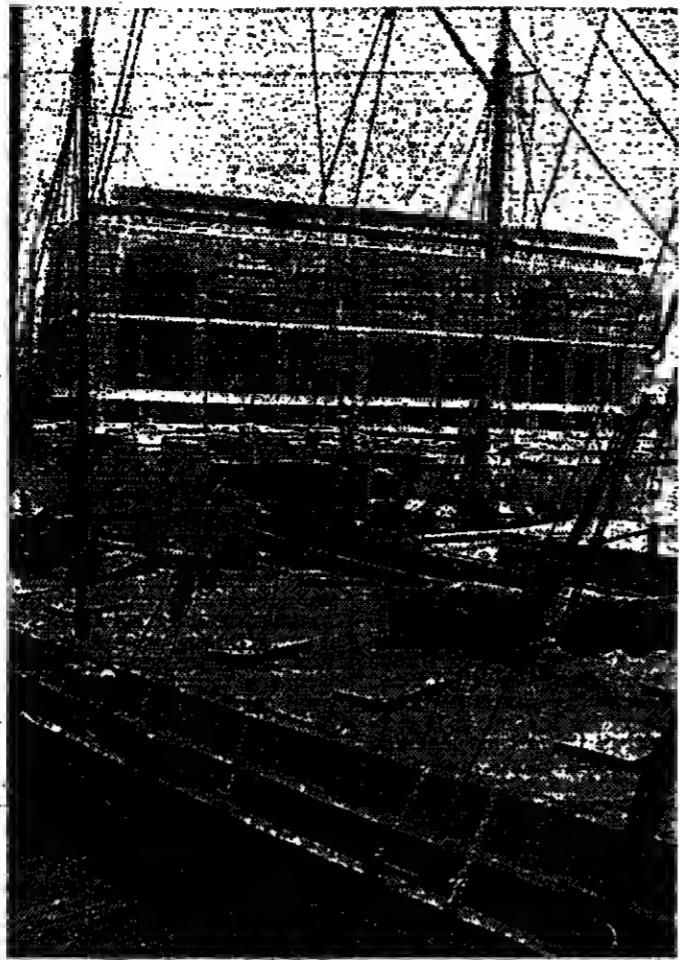
On the negative side, however, has been the failure of both the coffee and cocoa commodity agreements to halt the slide in world prices in the face of over-production.

The International Cocoa Organisation (ICCO) is meeting this week in London with only a gloomy prospect ahead of it. Demand for cocoa is growing steadily, but not enough to soak up the rapid increase in world production. Prices this year have touched historic lows.

The organisation has tried to hold prices up through a buffer stock system, but the buffer stock reached the maximum level of 250,000 tonnes last February - and still prices fell. It has been buffeted by internal wrangling, with consumers and producers seemingly far apart. Its finances are not in good shape - the Ivory Coast, the world's biggest producer, owes the buffer stock more than \$30m.

In addition, the Malaysian and Indonesian producers, whose increasing output is contributing substantially to the world cocoa glut, have consistently declined to join the ICCO.

The International Coffee



Commodities Quay, at St Katharine Docks (left); and inside the London Futures and Options Exchange (right)



## A Royal visit for Fox

THE FIRST forward contract to be cleared in London - for white sugar - was processed in 1888 by the London Produce Clearing House. Today that company is known as the International Commodities Clearing House (ICCH), which developed the automated trading system used for London Fox's latest white sugar contract, launched in July last year.

On Thursday, the Princess Royal, in her capacity as president of The Save the Children Fund, will visit the London Fox celebrations of 100 years of sugar trading at

Commodity Quay, St Katharine Docks. She will be presented with a warrant for at least 100 tonnes of sugar for Save the Children.

Clearing futures contracts is now a highly computerised business, and ICCH has become the clearer for nearly all London's futures contracts, including those traded on the London International Financial Futures Exchange and the London Metal Exchange. It also clears and guarantees contracts for exchanges in Paris, Sydney, Melbourne, Hong Kong, and New Zealand.

London is still overshadowed by the New York Coffee, Sugar and Cocoa Exchange, which has a very successful raws contract and about 75 per cent of the world sugar futures trade, compared with London's 20 per cent, and Paris taking the remainder.

However, the launch of the ATS contract has helped London to re-emerge in the past year as the centre of the physical trade, according to Mr Jonathan Payne, of London broker Czarulow and chairman of the Fox sugar futures committee.

Over the past five years the US has reduced its sugar import quota from 5m tonnes to about 1m tonnes, reducing the trading opportunities there.

The success of the ATS system, developed by London's International Commodities Clearing House, has given the exchange the opportunity to consider more new contracts - including an arbitrage contract for white and raw sugar. Contracts in rubber and arabica coffee are also being considered.

London Fox, formerly the London Commodity Exchange, has become much more conscious of the necessity to market itself since moving to its new headquarters at Commodity Quay, St Katharine's Dock, in May last year. The change of name, which soon followed, raised a few conservative eyebrows, but traders now seem to have accepted it.

Many other changes also followed the introduction of options on cocoa, coffee and sugar. Mr Con Lenan, marketing director, sees this as the most exciting area for growth.

"The old contracts have 100 per cent penetration," he says. "In the world of options, we're starting with a baby, and it has enormous potential." He points out that, in New York, sugar options are running at 30 per cent of the futures volume.

One options trader estimates that London would be doing well if options volume were to reach 10 per cent of the underlying futures volume. "There is much more room for expansion," he says.

The exchange has also introduced "locals", who trade on their own account. It aims to have sold all 50 available seats at £10,000 apiece by the end of this year.

In addition to all these changes, the exchange has had to accommodate the UK Financial Services Act, the impact of which is still being assessed. While the exchange welcomes the legislation, it has been surprised by the expense involved.

The costs of compliance with the new legislation have been the main concern throughout the London commodities world, and have actually led to the formation of a new exchange - the Baltic Futures Exchange (BFE).

The BFE was launched in December last year, combining five small markets in order to avoid duplicating the regulatory and administrative costs involved in becoming a Recognised Investment Exchange. It consists of London's potato, meat, soymeal, grains and freight futures exchanges.

Worries about the cost also sparked the formation of a Commodity Traders Group, which is pressing the Association of Futures Brokers and Dealers (AFBD) for reforms to lessen both the expense and the complexities of complying with the law.

Meanwhile, analysts are fairly optimistic about commodity markets in general. Mr Paul Lennie, of Prudential Bache, sees a continuing bull market if fears of inflation persist in the US.

Mr Richard Feltes of Refco agrees. "The volume of trading in the agricultural markets will settle at a higher level than it has been for the last three years."

# Soft Commodities

Organisation (ICO) has tried to support prices by means of an export quota system, which has also proved unsuccessful.

It has gradually reduced the total world export quota over the past 12 months but, because of the original allocation of quotas, this has created a shortage of the top quality arabica coffees which consumers want to buy, while leaving too much robusta coffee on the market. A wide price differential has emerged between arabicas and robustas.

At the organisation's meeting later this month, delegates will not be faced with quite as gloomy a prospect as the cocoa organisation. Nonetheless its problems are formidable, and time is pressing, for the agreement expires in September next year.

The US, the world's biggest consumer, is still undecided whether it will be party to the next agreement - and the European Community is making far substantial reforms to the rules. Meanwhile, produc-

ers are stonewalling any ideas for change.

The International Natural Rubber Organisation's commodity agreement has proved the most successful in operation - but largely because the fundamental factors in the market have changed.

Prices have reached eight-year highs as demand for rubber has risen strongly, driven by increased use of condoms and rubber gloves following the spread of Aids; a rise in tyre production; and increased demand from the Far East.

Like cocoa, the organisation runs a buffer stock operation, but it is now selling off the stock in a move to keep prices down as demand outstrips supply. The buffer stock, which stood at 370,000 tonnes at the beginning of this year, is expected to be fully sold off by the end of December.

The International Sugar Agreement, which was due to come into force on January 1, was finally ratified at the end of March after several delays

- but it provides for no market stabilisation measures and is seen by the market as irrelevant. However, sugar has had one of its best years for a long time, with prices more than doubling in the past 12 months.

Traders are delighted. "After standing on the sidelines for nine or 10 years, sugar is one of the most interesting commodities around," says one.

It has not been a market for the faint-hearted, one analyst observed at the market retreat from the seven-year highs set in July, when the London Daily Price for raws hit \$385 a tonne as speculative money poured into the booming New York market.

Prices have come down by about a third since then, but nevertheless have been firmly underpinned by two main fundamental factors: demand is outstripping supply, and the Far East take-off, particularly by China, has increased substantially. World stocks have fallen for the past three years, and the

stocks-to-consumption ratio is now at its lowest since the beginning of the decade.

The rise in sugar prices amid continuing volatility has been good news for the London Futures and Options Exchange (Fox) which has seen volume in sugar futures soar in the past year. Raw sugar futures contract volume rose by 74 per cent in the January-July period this year to 817,694 contracts.

The exchange also has a new weapon in its armoury: the white sugar contract, run on an automated trading system. The contract was launched in July last year in a move to attract business back from Paris, which was taking 70 per cent of its white sugar futures trade from London.

Interestingly, the new contract seems to have expanded the market, although Paris has suffered to some extent. In its first year the Fox contract traded 376,000 lots, compared with 402,000 in Paris, which traded 509,000 lots the year before.



# LONDON FOX

The Futures & Options Exchange

LONDON FOX is the contract authority for trading in Cocoa, Robusta Coffee, Raw and White Sugar Futures and Traded Options markets.

For further information contact:

Marketing Department  
LONDON FOX, 1 Commodity Quay, St Katharine Docks, London E1 9AX  
Telephone: 01-481 2080

LONDON FOX is a Recognised Investment Exchange

SOFT COMMODITIES 2

Options have made a slow start on London Fox  
Pointers from sugar

WHEN THE London Futures and Options Exchange (Fox) launched its traded options market in July last year, hopes were high that it would help revive the flagging fortunes of the exchange. Apart from business in the options themselves, options-related trading in the underlying futures contracts was seen to offer the prospect of a useful boost to turnover.

So far, it must be admitted, the market has not been a roaring success. But it is far from a total failure. It would be difficult to describe the levels of business in coffee and cocoa options - running respectively at 0.7 and 1.7 per cent of futures turnover - as other than disappointing. But both markets have been in the doldrums, and it would be unfair to judge their options prospects on the experience of the past 14 months.

The sugar market, on the other hand, has shown that soft commodity options can succeed in London. If the market conditions are right, the market has not been a roaring success. But it is far from a total failure. It would be difficult to describe the levels of business in coffee and cocoa options - running respectively at 0.7 and 1.7 per cent of futures turnover - as other than disappointing. But both markets have been in the doldrums, and it would be unfair to judge their options prospects on the experience of the past 14 months.

mined price within a set time limit. A "call" option allows him to buy, and a "put" allows him to sell. For this privilege, he pays a premium which will reflect the time span of the option and the degree of volatility in the underlying futures contract.

The attraction is the limited risk. Once he has paid his premium, the investor has nothing more to fear. If his instinct proves correct, he can operate his option and cash in his profit by selling or buying on the market. But if the market moves against him, he knows he can lose no more than the premium he has already paid - and will not have to pay out more in "margin calls" to stay in the game.

The market can be used as the basis for a whole array of trading strategies with varying degrees of sophistication.

For example, physical traders have bought Thai sugar at above the ruling market price and been granted, in return for that premium, options to buy similar amounts at a future date at a similar price. They have then written equivalent options for trading on the London market, secure in the knowledge that declarations could be covered by declaring their own options with the Thais.

Speculators holding profitable long positions on the

tively direct contracts between graniers and buyers. The only choices available to the buyer were to operate, or "declare", the option - if it was "in the money" - or - if it was not - to allow it to lapse.

With the advent of the traded options market, however, it became possible to buy and sell the options themselves. Their value consists of two elements. The difference between the strike price and the ruling market price constitutes an intrinsic value (which can of course be negative) and they also have a time value, representing the length of the period still to run to the final declaration date. The longer the unexpired period, the greater the time value will be.

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Another way of using the traded options market is to buy or sell the "spread". An investor might buy a sugar "call" at a strike price of, say, \$260 a tonne and simultaneously sell one at \$280. His potential gross profit is limited to \$200 a tonne (if the price moves substantially beyond \$260), but cost of the premium on his \$260 option is offset to some extent by the (obviously smaller) premium received from the sale of the \$280 option. As techniques like these become more widely understood, traded options are likely to become an important part of the London commodities scene. In the sugar market that is already happening, but the more conservative cocoa and coffee traders may need more convincing not to mention livestock.

The London Fox remains firmly committed to traded options, and is doing all it can to encourage greater participation in the market. It is stepping up its promotional and educational work, and plans to introduce special low-cost membership of the options floor for brokers undertaking the market-making function.

The performance of Fox options so far appears to have attracted the board of the British Futures Exchange, sufficiently, at any rate, to encourage it to press ahead with the launch of its own EC wheat and barley traded options markets at the beginning of this month. The markets are far from being bywords for volatility, so premiums are likely to remain pretty narrow.

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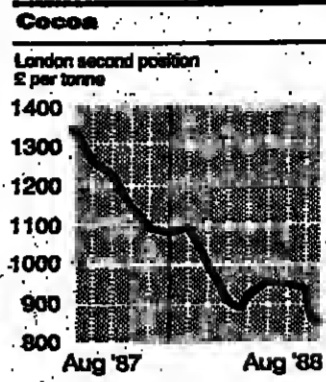
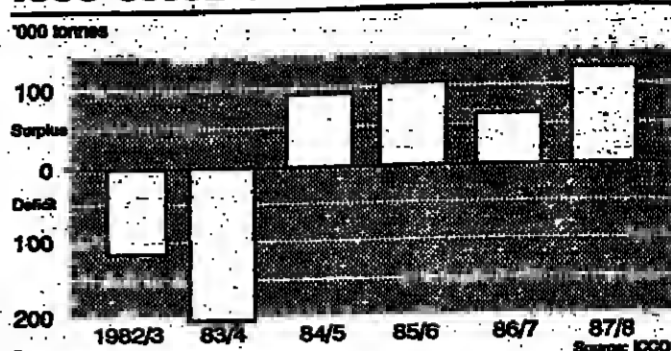
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Richard Mooney

COCOA  
The gloom deepens

ICCO cocoa balance



THE INTERNATIONAL Cocoa Organisation (ICCO) is wrestling this week with problems which outweigh even those of the International Coffee Organisation.

Delegates to the ICCO annual meeting in London will have to face up to the fact that the buffer stock policy for supporting cocoa prices has simply not worked in the face of a continuing oversupply to the world market. In addition, they have to tackle the intricate wrangling over rules which has bedevilled the agreement.

Gill & Duffus, the influential London trading house, in June estimated the surplus of supply over demand for the 1987-88 crop at 111,000 tonnes, with the net world crop at 2,058,000 tonnes, an increase of 200,000 tonnes or 4.5 per cent over the previous year. This would result in world stocks at the end of this month standing at 705,000 tonnes, equivalent to just over four months' grindings at current rates.

All the prospects point to a fifth consecutive surplus in 1988-89. Cocoa consumption is rising at about 3 per cent a year, but that is nowhere near enough to make a significant dent in supplies.

Given these levels of over-production and the fact that the ICCO buffer stock manager already holds the maximum of 250,000 tonnes allowed under the agreement, it is not surprising that prices have fallen to the lowest level for many years.

The Ivory Coast, the world's biggest producer, has been withholding its cocoa from the market because of the low prices, and is believed to have a stockpile of at least 150,000 tonnes in Abidjan. Paradoxically, this has resulted in tight supplies of the top quality West African beans beloved by Western confectionery manufacturers.

The Ivory Coast has not paid a penny in levies to the buffer stock fund, and now owes more than \$40m. This could lead to problems for the buffer stock manager, who is under obligation to maintain the quality of his stocks. (By rotation as so on), but is not allowed to borrow money.

He inherited a 100,000-tonne holding from the 1980 cocoa agreement, and has not had a happy time since the ICCO's producer and consumer countries agreed in March 1987 on rules which allowed him to start purchasing under the 1986 agreement.

The "price" which he was defending was set under the agreement at 1,600 Special Drawing Rights (SDRs) a tonne. On the London Futures and Options Exchange (Fox) the second position futures contract was at \$1,290 a tonne.

Towards the end of June last year the buffer stock manager had purchased 75,000 tonnes of

the deal was given only a tepid reception by the market.

In the following weeks the buffer stock manager bought cocoa in drabs and drabs. His new purchases reached 75,000 tonnes, taking the stockpile to the 250,000-tonne limit, at the end of February - but prices continued to fall.

Amid deepening gloom, delegates gathered in London for the ICCO mid-session Council. They approved in principle a scheme to withhold 120,000 tonnes of cocoa from the market by storing it in the countries of origin, but the wrangle over price levels to be defended proved insoluble.

Delegates did agree to set up an arbitration panel on the new over-defence prices, which revolve around a disagreement between consumers, who have argued that automatic cuts provided for in the agreement should have been implemented, and producers, who have refused to accept a further cut.

The panel met in June, but details of its findings have been kept secret until the current session of the council.

To add to the buffer stock manager's woes, twice in recent months traders with forward contracts to deliver cocoa to him have defaulted, and he has had to return to the market to top up his stocks. Ironically, this position has arisen because of the Ivory Coast's unilateral decision to withhold its cocoa from the market.

Confectionery manufacturers have been turning to Malaysian cocoa, which is about \$150 a tonne cheaper than West African, but requires more processing.

Earlier this year, the ICCO sent a delegation to both Malaysia and Indonesia to try to entice them into membership. They have consistently refused to join, and it is difficult to see what benefits joining could possibly bring them in the current state of the agreement.

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David Blackwell

THIS HAS been a year to remember for the London Futures and Options Exchange (Fox) sugar market.

Surging raw sugar trading has been the major factor in an upturn in the Fox's fortunes; highly volatile conditions in the exchange's newly-launched traded options market (which might otherwise have proved something of a damp squib); and the 14-month-old, screen-based white sugar market has weighed in with a useful contribution to overall turnover.

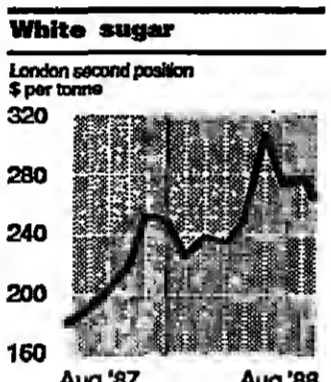
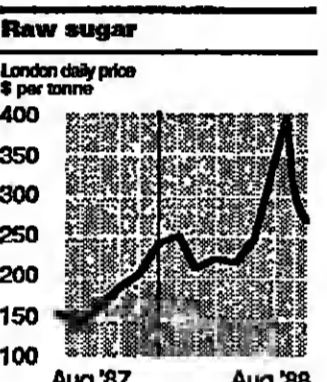
A year ago there was little sign that the sugar market was set to become the rising star of Commodity Quay. At that time the best that could have been said of it was that it was over the worst. Although it had recovered from the lows of mid-1987, its price of around \$150 a tonne was still pretty depressed in historic terms, and the level of trading was still lagging well behind that of cocoa, which was itself hardly setting the world alight.

Then, however, things began to change. China began to increase its buying, covering a shortfall in its own drought-damaged crop; and it was confirmed that India's production had suffered badly through the failure of the monsoon. These factors confirmed that a gradual drawdown from world stocks was set to continue as rising production failed to keep pace with a steady advance in demand.

By the end of the year the world sugar price had gained about \$100.

That level was pared back somewhat in the early months of this year, but then, with the

SUGAR  
A year of volatility



The market is operated on an automated trading system with nine members using 11 screens (C.Czarnikow and E.D. & F.Man have two screens each). According to Mr John Payne, of Czarnikow, the Fox futures committee chairman, every member has made money because of the "enormous" savings on hedging through not using Paris. In fact, the Paris white sugar bourse has been forced to reduce its notoriously expensive trading charges in order to compete with London.

Encouraged by the success of automated trading in white sugar, the Fox is considering the possibility of its use for other futures contracts, including rubber and arabica coffee. One definite plan, which should be in operation well before the end of this year, is for an arbitrage contract between raw and white sugar.

"The advent of automatic trading allows us to look at new contract opportunities," commented Mr Con Lenan, Fox's marketing director. "The cost of launching a contract in a major outcry system represents a major investment, especially in manpower, and a major risk. . . . But the cost of an ATS screen is in the order of \$15,000 to \$16,000 a year, and a firm can trade in its back office."

THE INTERNATIONAL Coffee Organisation faces an uphill task to save the agreement when delegates gather in London on Monday week for the annual meeting of the full council.

This is in sharp contrast to last year's meeting, when delegates from the 74 member countries reached agreement for the immediate resumption of coffee export quotas, which had been suspended since February 1986.

The negotiations, described at the time as "extremely tough", ended with the world export quota being set at 58m bags of 60 kg each to defend a price range of between 120 and 140 cents a pound.

But even then some market observers were saying that both the quota and the price defence levels were too high. They were soon proved right.

The agreement had made provision for quotas to be cut if the ICO trigger price - a 15-day moving average of robusta arabica coffee - rose fast enough from the 104.17 cents a lb level ruling at the time. Only two days after the quota deal was struck, the first cut of 1.5m bags from the total quota was enforced.

The coffee market continued weak, however, and by December delegates were meeting to "fine tune" the agreement, limiting the number of quota cuts that could be made to two in any one quarter. At the end of the year the indicator price average stood at 115.01 cents a lb, just one-hundredth of a cent above the new level which would trigger a second cut.

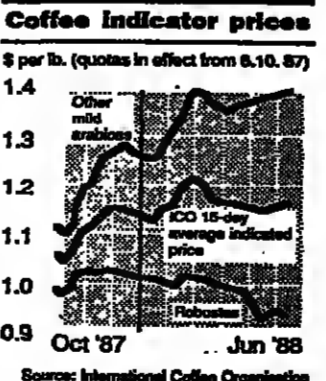
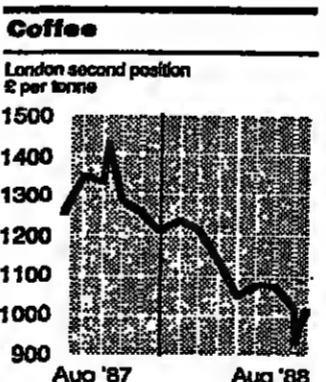
Brazil - by far the world's biggest producer - and Colombia and Mexico, fearing a further fall in prices, urged the ICO to make a quota cut "in the spirit of interpretation of the text of the agreement." That request was denied, but the first quota cut of this calendar year soon followed.

By then dealers in London were complaining that the market always seemed to be waiting for an ICO meeting or a fresh quota cut to spark trading interest.

As the year wore on, two important issues emerged which followed directly from the original distribution of quotas and the subsequent cuts. First, the premium for top quality arabica coffees over

Richard Mooney

COFFEE  
Agreement at risk



The US is so disillusioned with the coffee agreement that it may not participate in this month's talks.

Other consumer countries share the US concern over the premium of arabica coffees over robustas, and are pushing hard for reforms to the quota system. And a significant factor when the last quota cut of the coffee year was announced in July - Colombia, an arabica producer, urged a selective cut to take more of the low-priced robustas from the market.

At the time the ICO indicator price for arabicas was 142.62 cents a pound, compared with the robusta indicator of 85.21 cents a pound.

One consumer delegate said later that Colombia's stance was a rule standing in the shadow of Brazil at ICO talks, but it had recognised that a big shift was needed towards arabicas, putting it on a potential collision course with Brazil.

Indeed, on the day that the final quota cut (of 1.5m bags to 51.5m bags) was made, coffee prices plummeted in New York. Speculators, whose interest in the market had increased in early June on a minor frost in Brazil, held on to rumours that the ICO agreement was in danger of collapse after disagreements between the two countries.

The Colombian and Brazilian delegates, who were in London for a meeting of the ICO's Technical Preparatory Group, appeared together to deny that they were leaving, or threatening to leave the ICO.

"If it were not so serious it would be childish for the market to fall on such unfounded rumours," said Mr Lindenberg Seta, of Brazil.

Nevertheless, the Technical Preparatory Group's talks on the future of the coffee agreement came to nothing, and the market began to take an increasingly gloomy view of the coming September Council meeting.

The mood of restrained optimism which prevailed when

quotas were reintroduced last October has turned into pessimism. As London broker E.D. and F.Man put it in its summer futures review: "It must be admitted that the agreement this year has been a failure in the sense that the trigger price has remained, for the most part, below 120 cents a lb, and thus outside the range to be defended."

In addition to facing up to low prices, the producing countries will also have to grasp the nettle of continuing overproduction, particularly of robusta

Consumers are not prepared to compromise this time. The US and the EC - the two biggest consumer members - have already said they will not opt for an extension of the current agreement when it expires in September 1988.

"I suspect no bullets will be bitten this September," says one consumer delegate. "But time is running out. The ICO has no alternative but to agree substantially on the shape of a new agreement by early 1988."

coffee. Next year's Brazilian crop has been estimated to be as high as 45m bags compared to this year's harvest of just over 20m bags. World consumption is static, and has shown no sign of responding to low prices.

David Blackwell



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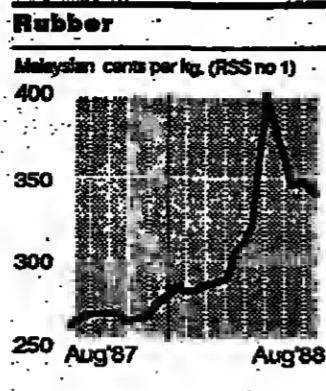
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RUBBER

Tyres and AIDS assist the rebound

PROSPERITY returned to rubber planters in south-east Asia this year as the market climbed to the highest level for eight years. Prices have fallen from the June peak but, with demand remaining strong, growers still feel sufficiently encouraged to continue the application of chemical stimulants...



Study Group has forecast that world natural rubber demand will exceed supply by 140,000 tonnes this year and 125,000 tonnes in 1989. Output is projected at 4.78m tonnes this year and 4.56m tonnes in 1989.

The rubber agreement is now regarded as the most successful of the existing commodity agreements

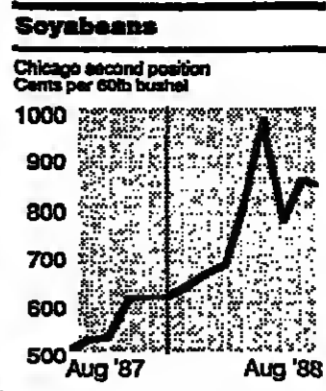
Of all the rubber grades, latex concentrate has had the most spectacular year, with prices reaching an all-time high of more than 10 ringgit a kilogramme in May. Latex concentrate is special-ty-prepared latex, with at least 60 per cent dry rubber content...

The availability of this grade of rubber in Malaysia has led to scores of investors queuing up at the Trade and Industry Ministry for licences to start glove and condom factories. The Ministry recently announced tighter control of these factories...

Wong Sulong

Chicago: the drought has stimulated volumes

Soya stocks drop



Chicago second position Cents per 60lb bushel

THE WORST US drought in history has sealed the turnaround in the agricultural futures complex at the Chicago Board of Trade, where traders had set out the last three years of government surplus and predictable prices. Many of the younger traders had drifted off to try their hand in the excitement of the pre-crash financial futures markets...

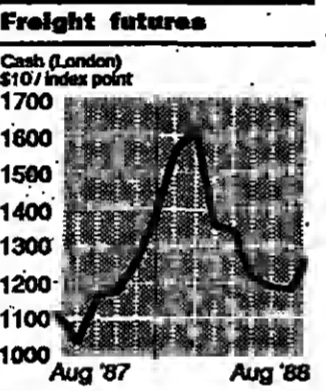
market, where market sentiment is quickly exaggerated by the huge amounts of speculative money that has rushed into the grain pits this summer. Many pension funds - disenchanted with financial futures in the wake of the stock market crash - have poured their money into the agricultural markets. While strength continues in soyabeans, prices are still above the \$3-a-bushel mark...

Deborah Hargreaves

THE BALTIC FUTURES EXCHANGE

Dry freight is the top contract

THE BALTIC Futures Exchange was born in December last year as a response to the problems which small exchanges were expecting to face when the UK Financial Services Act took effect in April. Its primary purpose was to avoid duplicating the regulatory and administrative costs involved in becoming a Recognised Investment Exchange...



Freight futures Cash (London) \$10/index point

The outlook remains strong, Mr Baxter believes. "If crop estimates are true, we are heading for a shortage of soyabeans. Potatoes, which had a record last year, have not performed so well this year, and a cash settlement contract, launched to quell criticisms from farmers over deliveries, has not proved successful, trading only 55 lots in July. Mr Bill Englebright, futures director of the BFE, said earlier this year that British potato farmers seemed to be coming to terms with the operation of the market as the heavily-traded April contract had expired in an orderly manner...

David Blackwell

Regulation: the AFBD's task is considerable

A cautious welcome

THE UK FINANCIAL Services Act this year brought strict regulation to London's futures and options markets. It has been generally welcomed, although the costs and complexities of the legislation have brought some protest from the commodities trade. Mr Con Lennan, marketing director of the London Futures and Options Exchange (Fox), describes the expense and extra administration involved as a burden, but stresses that the law should not be changed. There have been no instances of members pointing to a loss of business to London because of the regulations, he says. The Association of Futures Brokers and Dealers (AFBD) is the Self Regulatory Organisation (SRO) now responsible for regulating the markets. It is the smallest of the SROs to come into existence under the Financial Services Act, expecting a final membership of 365. However, Mr Alistair Annand, its chief executive, believes it has the most complex task to perform. "We do not have a homogeneous membership - we cover all futures brokers, and the variety of futures activities is enormous..."

David Blackwell

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ARTS

Overlaid with witty eroticism
William Packer reviews three current London exhibitions



Detail from Allen Jones' lithograph "Bar (State II)"

Three shows current in London make the point that the artist might think of the 1960s, the artists it produced have proved a most persistent, productive and talented lot.

authority, both technical and imaginative, of his statement... authority, both technical and imaginative, of his statement...

round. To do so with such circumspection and graphic delineation so that we are constantly thrown happily to and fro between descriptive reference and formal means, is remarkable.

Finally the Jeremy Moon exhibition (at the Mayor Rowan Gallery, 81a Bruton Place W1, until October 12), should not be overlooked, for it too, like the Hodgkin, offers a concentrated and purely painterly sensation.



Geoffrey Dolton and Christine Botes
Così fan tutte
ELIZABETH HALL

This Opera Factory version of Mozart's opera eminently deserved revival, and on Sunday it was clear that it will repeat its popular success.

guises (modern Arab in this case) any more than her mistresses do, and is as disconcerted at the end as they are.

Roosters
BUSH THEATRE

Mileha Sanchez Scott, a dramatist of Colombian and Indonesian parentage who went to San Diego University and now lives in Los Angeles, finds in Roosters a metaphor for the hurly burly of male/female relations - life as a chicken run.

time beauty worn out by years of fending for her family on her own and cynical indifference from Adam, once dubbed the encyclopaedia of love for her exploits with migrant farm workers, whose opinion of the many men who have abandoned her is summed up with a terse and frequent "they're all shit."

Haydn Festival
WIGMORE HALL

All this week, the Wigmore Hall will be resounding gently with Haydn piano works, chamber music, notably the last string quartets and the still under-performed piano trios and sonatas.

the sprightly D major H.37 and the dramatic C minor H.20. His forthright, extrovert address beamed his stern manner and rigorous straight back (Alexander technique?) - though in the Variations, his best performance, he permitted himself to lean slightly forward.

sonata: no harpsichord imitation there! Lupu's commanding musical purpose was never less than enough. On a smaller scale, he also accompanied Miss McLaughlin in a half-dozen of Haydn's English songs, which the singer elaborated with any amount of romantic nuance and gesture: charming, but decidedly modern for the time which reveals itself very clearly with no titivation at all.

op. 76 no. 1 (they are to deliver all six op. 76 quartets and the two of op. 77). There was a lot of insistent vibrato, not to mention some uncharacteristic technical skills. But perhaps that merely betrayed the awkwardness of joining the concert at a late hour, for they went on to expound the Adagio with assured poise; better still were the Menuetto - really a crackling scherzo with a delightful trio - and the driving finale. It is fanciful to detect strong analogies between this remarkable movement and the finale of Schubert's "Great" Symphony in C?

David Murray

Jessye Norman
WIGMORE HALL

For the opening of the 1988/9 season the Wigmore Hall is fortunate to have caught Jessye Norman on the rebound from Salzburg. The roar of applause that greeted her as she stepped on to the platform was a foreboding clucking from their baskets and held aloft to signify the start of a fight.

about this recital with the accompanist Phillip Moll, there was never any doubt that she had given its selection of German Lieder and French melodies studious preparation.

though that quality always is to define. A song like Schumann's "Auf einer Burg" from the Op 39 Liederkreis, for instance, was far too slow for its own good and the listener finds himself picking up vowels and consonants, but rarely words or whole sentences. One longed for the poem to speak to the audience easily and naturally; the best Lieder singers have always been adept at the art of conversation.

telling effect; and the first two of her Debussy group also caught the voice at its most beguiling, though now apparently a different instrument, lightweight and evanescent, shining in radiant daylight colours.

Richard Fairman

Henze
ALBERT HALL, RADIO 3

Hans Werner Henze's dedication to the fusion of words and music has arguably been more sustained than that of any other living composer. It is celebrated most overtly, of course, in his operas, but the influence of poetry, the lyric impulse, is most profound, perhaps also into his seemingly abstract instrumental and orchestral music.

ritorno d'Ulisse in patria when it was staged at last year's Salzburg Festival. The French heard a potted version of the first British performance of Scenes and Arias from the opera, though whether this is a fixed concert suite, or a selection tailored for the occasion was not clear.

The starting points for this set of love songs without words were English poems from a variety of periods, but that is as much as Henze wishes to offer as explanation. Some of the movements carry suggestive titles - one is a "Tango," another "Sonnet" - and the composer has provided guides to interpreters in the form of pocket scenarios for the songs.

It also, one suspects, gives the singers an expressive freedom that they can relish. Certainly the quintet here - Thomas Allen an imposing Ulisses, Kathleen Kilmartin a touching Penelope, Ann Murray (Minerva), Fiona Kimm (Ericaria), Alejandro Benlloch (Telemachos) - allowed themselves liberties of phrasing and dynamics they would not have contemplated in a more straitlaced performing edition.

Andrew Clements

ARTS GUIDE

MUSIC
London
BBC Welsh Symphony Orchestra, conducted by James Loughran with Howard Shelley (piano). Berlioz, William Mathias, Elgar, Royal Albert Hall (Tue) (688 8812).

Zimmermann, Don Banks, Weill. Royal Albert Hall (Thur) (688 8812).
Vienna
Wiener Mozart Orchester (in historical costume). Mozart, Solfenase (Wed) (72 21 98).

Paris
Quatuor Boissande, Laurent Cabosse, pianist Haydn, Schubert, Eric Sauter. Auditorium des Halles (Tue).
Cologne
Philharmonie, Orchestra National de France, under Lucie Massal, Kaval, Rouseel and Stravinsky (Wed).

Tokyo
Yong-Uck Kim (violin), Allison Sledge (cello), with the Tokyo Philharmonic Orchestra, conducted by Michioyoshi Inoue. Sibelius, Elgar, Suntory Hall (Tue) (728 4468).

Washington
Tangine Dream, Three-member German synthetiser group known as the Godfather of New Age Music (Germany). Concert Hall (Thur) (264 5776).

Sept 2-8

Opera and Ballet
London
Royal Opera, Covent Garden. No opera performances until 12 September.

Opera and Ballet
London
English National Opera, Coliseum. The season opens with revivals of two of the less successful ENO productions of recent times, David Pountney's ugly, colour-grained modern-dress Carmen sports at least a highly promising cast, including Jean Rigby, Arthur Davis, Sergey Leiferkus, and Susan Bullcock.

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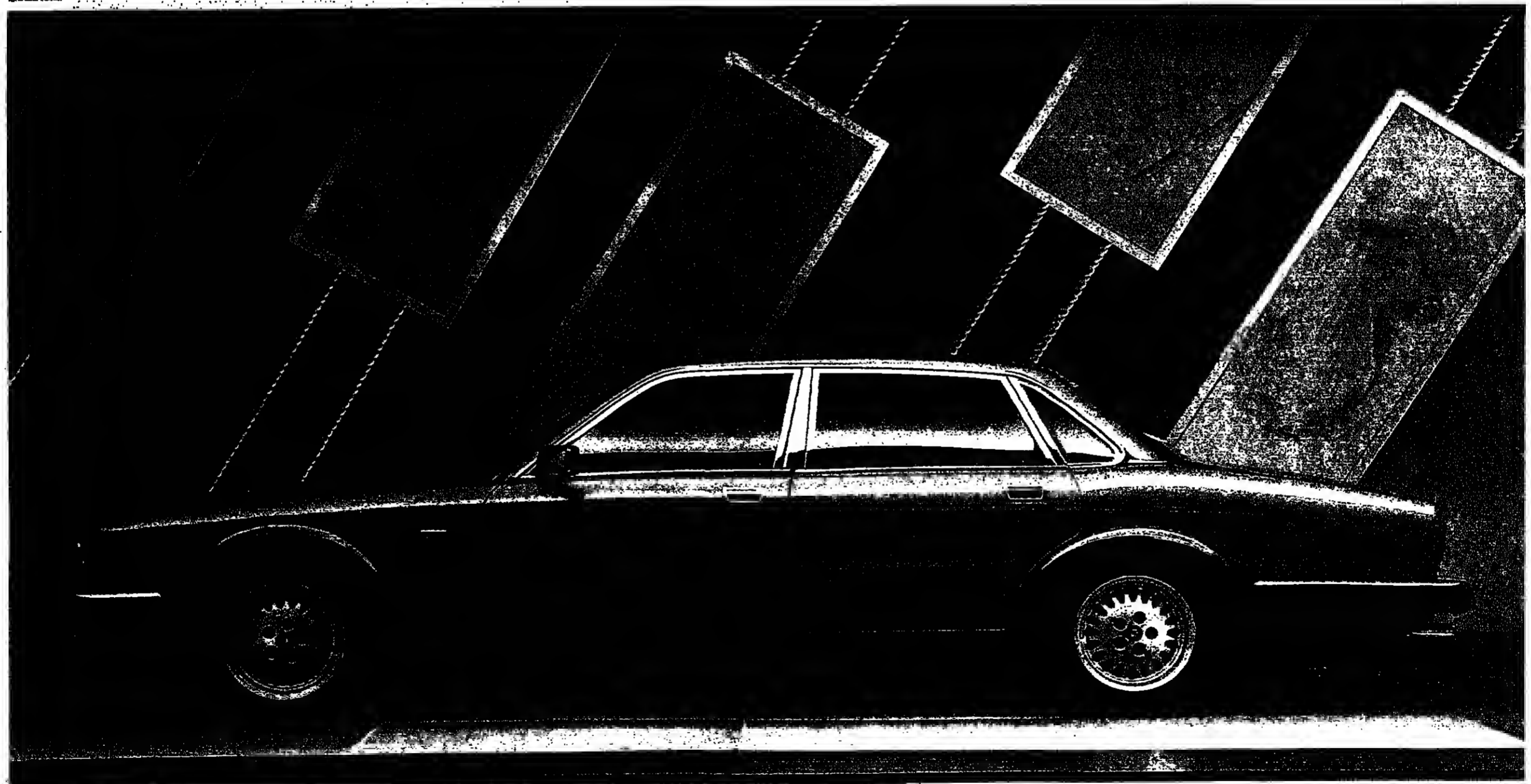
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TECHNOLOGY

Helping small firms to exchange money

By Della Bradshaw

COMPANIES in Europe that want to buy less than £150,000 of foreign currency now have an alternative to using a High Street bank.

Citibank of the US is using a computer-based system to allow smaller companies to buy foreign exchange at the live dealing rate, rather than the rate offered by the banks.

Foreign exchange dealers are reluctant to deal with clients exchanging sums of less than £150,000 because the cost of doing the transaction exceeds the profit they make. Citibank has overcome this by grouping small currency transactions into one large one.

These small transactions are marshalled together at the Citibank computer centre, which comprises a cluster of VAX computers. There could be several hundred small transactions changing sterling to dollars, for example, which would be fed through to the foreign exchange dealer as one large one. Companies using the service dial into the centre from their own personal computers via modems.

The cost of using the service is only that of a local telephone call to the computer centre. John Bertrand, head of the Global Electronics Market division at Citibank, says the bank will make its profit on the exchange rate deal.

The Currency Trader system will be available in the UK from October, followed by other European countries. Companies will be able to deal in 26 currencies. In the US, the system has 150 customers and carries out more than 100 trades a day.

At the moment it is restricted to those companies which have a Citibank account and credit authorisation. Eventually Bertrand hopes it will be available to any individual dialling up the Citibank computer centre from a personal computer. "To get down to the individual we need to ensure that credit is not a problem."

Although all the foreign exchange transactions on Currency Trader are done through Citibank dealers, Bertrand plans to have at least one other bank quoting exchange rates by the end of the year.

Rolls-Royce, the UK aero-engine manufacturer, has embarked on a research and development drive that could lead to the world's first aircraft engine built more of ceramic materials than metal alloys.

Research is under way into materials which include a glass/ceramic composite that could replace titanium. As well as Rolls-Royce's in-house projects, associated studies are being carried out at UK universities, the Atomic Energy Authority's Harwell Laboratory and by Pilkington, the UK glass company.

Ceramics could lead to new concepts for engines, including ones designed for pure vertical lift as opposed to the combined lift/thrust Pegasus engine on the Harrier vertical take off fighter. These lighter engines would have low inertia and enable aircraft designers to opt for smaller flaps and rudders.

The research effort involves a quest for higher engine performance, lower weight and increased engine life, all at the lowest cost.

Military customers are making the toughest demands, as governments try to reconcile tight defence budgets with the need for more complex, high performance equipment.

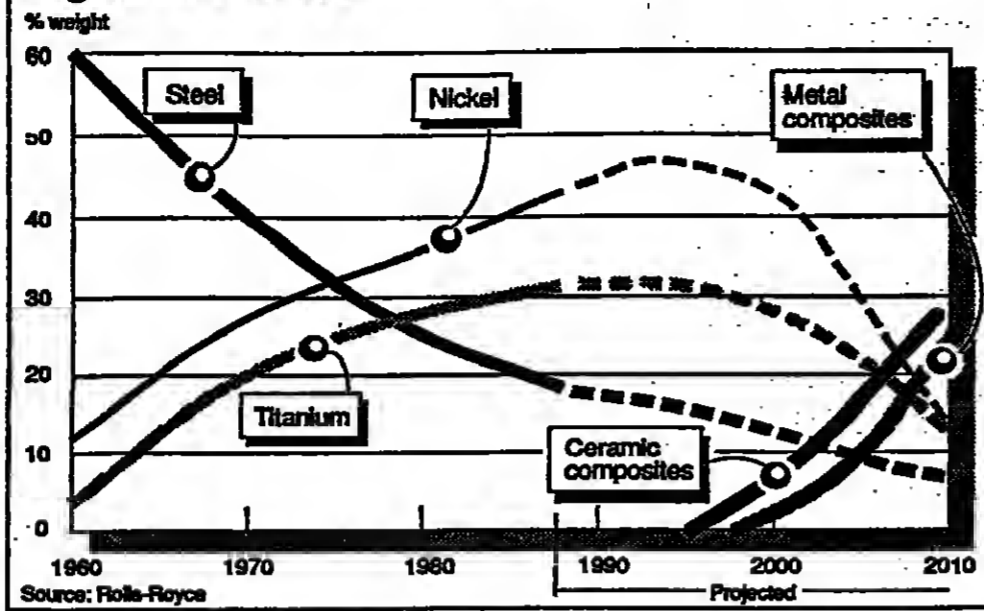
Air forces have asked for a ten-fold increase in engine life; 25 per cent cuts in purchase and maintenance costs and in fuel consumption; a thrust 20 times the weight of an engine, compared with a thrust/weight ratio of 3:1 on current engines; and turbine temperatures of 2,277 degrees C compared with 1,377 degrees C. The first jet engines, operating in the 1940s, had thrusts of about three times their weight and operated at 827 degrees C.

Gains are increasingly difficult to attain by modifying the design of metal engines. Because of their maturity, a disproportionate amount of money and effort is needed to achieve only modest improvements.

Rolls-Royce says its aim is to achieve half the improvements for its military engines by better design and half by changes to the materials and manufacturing processes. Although it believes that alternative materials, such as ceramics, offer the best potential, there are severe limitations.

Keith Garwood, Rolls-Royce's assistant chief engineer for advanced engineering, says: "Ceramics are stepping out of their infancy and starting to mature. They still tend to be very brittle and somewhat unusable in engine terms, but the drive is on to introduce ductility into

Main trends in the materials used in jet engine manufacture



New thrust towards the ceramic engine

Lynton McLain explains why Rolls-Royce is stepping up its work on new materials

the external components of ceramic components by incorporating filaments, or whiskers, of silicon nitride."

China tea cups are ceramic. They ring when tapped. Too hard a blow and they smash, evidence of the brittleness that has hindered industrial applications of the material.

Rolls-Royce is considering advanced ceramics for the fierce conditions inside a turbojet engine, just as it considered carbon fibre as an alternative to metals in the early 1970s. The company tried carbon fibre for fan blades on the

RB-211, but chicken carcasses fired into the engine as a test for bird strikes smashed the 6 ft diameter blades.

Rolls-Royce says it has learnt from the experience. It has formed a committee of external materials experts under Sir Alan Cottrell, former vice chancellor of Cambridge University. None of its R and D into new materials can proceed far without the committee's approval.

The target for designers seeking to cut engine costs are the hundreds of metal turbine and compressor blades in its

core. These spin to produce jet thrust. The latest European engine, the Eurojet EJ200, being built by a consortium to power the Eurofighter, has 1,800 blades compared with 2,845 on the previous generation RB199 engine in the Tornado fighter. But there are limits to cutting the number of blades.

A complementary advance would be to replace the metal blades with ceramic ones. The advantage would be that they could either operate at higher temperatures, allowing better performance, or for longer at

to give a ductile, composite structure. Silicon carbide fibres are made into a matrix, or mat. This is suitable for non-structural components, such as jet nozzles. It is possible to weave these fibres into a turbine disc complete with blades, says Knifles.

The third technique is to develop new designs that accommodate the characteristics of ceramics. Metal parts can accommodate the high stress associated with intricate shapes. The aim with ceramics is to engineer the material and the shape of the part together. Ceramic blades do not have the fir tree-shaped roots of metal blades, they have a pyramid-shaped base for low stress.

BRITTLENESS has always been a characteristic of ceramics and, while the bouncing china tea cup has yet to be invented, aero engine manufacturers are making the material more ductile. This can be done in three ways, according to Philip Knifles, director of design engineering at Rolls-Royce.

First, production processes for ceramics have to be improved to eliminate defects. Silicon nitride, a ceramic made by casting, is brittle; cracks do not spread, the product simply breaks. This is more likely to happen if there are defects in production, so eliminating these improves results.

The second technique is to reinforce ceramics

today's temperatures. By replacing the air cooled metal blades on the Tornado's RB199 engine with ceramic blades, which do not need cooling, Rolls-Royce says it would be possible to gain a 5 per cent increase in thrust and a 5 per cent cut in fuel consumption.

However, direct replacement is unlikely to be the way forward. More gains are expected from designing new engines around the ceramic parts.

The materials being considered include resin composites; composite and reinforced metal structures, such as titanium in a matrix with silicon carbide fibres; reinforced glass and glass/ceramics; carbon fibre in carbon; toughened ceramics, such as silicon nitride and silicon carbide, and toughened and reinforced silicon carbide and fibrous ceramic materials.

The reinforced glass and glass/ceramic materials are regarded as being of "major potential significance". The company claims these could "directly replace titanium" and could operate at up to 1,400 degrees C with only half the density of titanium.

Rolls-Royce has already made test blades and blade discs using reinforced metallic materials based on titanium and silicon carbide fibres. These are put on top of metal foil prior to diffusion bonding. This results in a 42 per cent reduction in disc weight compared with solid titanium. The company expects to apply this technology in an engine in the next 12 months.

The challenge for engine makers is to develop techniques for manufacturing these components in large volumes at low cost.

Composite materials have been used for some time for large civil aero engines. However, ceramics show their main advantages of light weight and ability to withstand very high temperatures inside an engine.

Rolls-Royce has built a demonstration version of its Gem gas turbine using ceramic materials for five sections of the engine, including the high pressure turbine blades.

The company says it could save 90 kg in a low pressure turbine rotor disc, in a vertical take off engine, by using a reinforced ceramic silicon carbide material - a weight reduction of 55 per cent.

If the blades on high pressure turbine discs were made from reinforced ceramic silicon carbide, instead of single crystal nickel fitted to a metallic powder disc, the load on the blades would be halved, offering the prospect of higher running speeds and better performance.

Lasers that are used to cure rather than kill

Paul Abrahams reports on a machine that applies low intensity light to aid healing

Lasers have been associated in the popular imagination with Star Wars, death and destruction. But recent developments in laser technology mean that low power light is now being used for healing.

Omega Universal Technologies, of London, has developed a machine that applies low intensity light to ease pain and reduce inflammation. The healing process can be accelerated by as much as 50 per cent, it claims.

"The process is photochemical and not just a placebo - though, of course, with any patient there is a placebo effect with any treatment," says Costas Diamantopoulos, Omega's director. The technology can be used for a wide range of applications, including rheumatoid arthritis, muscle tear, acne and even dentistry."

Diamantopoulos says that a number of regional health authorities in the UK have expressed interest in the technology, because it should allow in-patients to be discharged more quickly and out-patients to make less demands on the health service.

In the past, lasers using helium neon as a light source have been used for healing. However, these gas lasers tended to be bulky and their effectiveness was reduced by the limited range of light they could deliver.

Omega has developed solid state lasers using gallium arsenide semiconductors (electrons travel through gallium arsenide three times faster than through silicon, the conventional material for chips). The new semiconductors are small enough to enable the company to develop a cluster head of 31 diodes, which will deliver light at four different wavelengths, in any combination between 650 and 800 nanometres.

This compares with the performance of neon helium lasers which were limited to between 632 and 638 nanometres.

Mary Dyson, reader in tissue repair biology at the United Medical and Dental Schools in London, says that the biological process by which low intensity light assists in the healing

process is not fully understood. However, she explains that the lasers provide energy which is absorbed by chemicals called the macrophages in the skin. These are able to change light energy into chemical energy, stimulating the production of scar-forming granulated tissue and scar tissue.

She adds that research is being carried out to see whether different types of cell react to different levels of light. If this is proven, then the laser offered by Omega could be used to target particular cells.

Diamantopoulos says that the performance of the new laser is assisted by its portability. The new cluster head, at the end of a fibre optic tube, is placed on the skin.

This avoids the problems associated with helium neon-based machines, which because of their size have to be used at some distance from a wound. As the light travels through air, it is vulnerable to interference and distortion.

He adds that the gallium arsenide based machine costs a tenth of the price of the previous, gas-based lasers.

Diamantopoulos admits that there has been some scepticism about the product in France and West Germany because of the failure of earlier helium neon systems which delivered in the 632-5 nanometre range.

He explains that this range of light is only useful for open wounds because, although it can be absorbed by the melanin in the skin, it is easily scattered and reflected as it enters the body. This means it is ineffective for internal injuries.

He adds that the Omega machine, which has a greater range, has been tested successfully for treating internal wounds. Among the places which have tested the machine are hospitals in Europe and the US. Doctors and physiotherapists at UK football clubs and the Royal Ballet in London have also taken part in trials.

Diamantopoulos is now looking for venture capital to help him launch the product outside the UK.



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POSTBANK

# FINANCIAL TIMES SURVEY



The industries which serve agriculture are being forced to adjust to changing times. For some this

has involved painful restructuring. But, even if the worst now appears over, the future seems far from certain, writes Bridget Bloom, Agriculture Correspondent

## The good old days of 1970s

AGRICULTURE WORLDWIDE is in a state of flux and so, not surprisingly, are the industries which serve it.

As farmers in the rich industrialised nations adjust to the pressures of generally declining prices and moves by their governments to cut farm costs and to reduce, if not abolish, the subsidies which did so much to fuel the boom of the 1970s, so agricultural supply industries are adjusting also to these changing times.

For some sectors, this has meant a quite profound restructuring, for others a less intense but still uncomfortable and so far incomplete rationalisation. But from the tractor manufacturing industry to those involved in the supply of seeds, feed, fertilisers or pesticides, the last few years have been among the most difficult since the second world war. And if for some the worst now seems to be over, such are the uncertainties surrounding the agricultural scene today that it is far from easy to predict a stable future.

The background to the crisis of the last few years is the boom in farming fortunes in the industrialised world in the 1970s. Production was boosted by the twin stimuli of technological innovation, which increased yields and in which

many agricultural supply industries played a critical role, as well as by the generally high prices which the governments of the US and European Community, in particular, paid their farmers.

The problem, however, was that markets for the increased production proved at best stable and at worst declining - or obtainable only by the payment of hefty export subsidies. Grains and beef, mountains and milk and wine lakes accumulated and were stored at great public expense.

Mainly to curb the costs of such support, but partly with an eye to reducing resultant distortions to world trade, the US and EC governments in the mid-1980s embarked on a series of programmes which had the overall effect of curbing production and of reducing farmers' incomes, while the recession which hit farming in the early 1980s increased the number of those leaving the land.

The crisis was most acute in the US, where the boom of the mid-1970s, fuelled by huge grain sales to the Soviet Union, raised the paper value of farmers' assets and encouraged heavy borrowing to finance expansion. When commodity prices and land values plummeted, many overborrowed farmers left the land; recent

figures show that the farm population dropped by about 1m between 1980 and last year, to its present level of 1m.

In the EC, where there are nearly 11m farmers, the crisis has been less marked, partly because the strength of the farming vote has ensured both a continuation of high support and more recently a relatively moderate package of reforms.

Nevertheless, recent figures from the EC statistical office Eurostat show that farmers' incomes fell in real terms by nearly 4 per cent between 1986 and 1987. Despite recently rising world prices of grains as a result of the US drought, this is a trend which seems likely to continue as the reforms, ranging from the introduction of milk quotas in 1984 to this year's series of so-called stabilising mechanisms on support prices for most other commodities, begin to bite.

While the most obvious impact on supply industries of the crisis in agriculture has been contracting markets, as articles elsewhere in this survey show, there have been marked sectoral variations.

The world's principal tractor makers, for example, have had to cope with a market which fell dramatically at the turn of the decade and still has not recovered to 1970s levels, even

though sales of tractors worldwide now seem to have levelled out, at about 610,000 units.

The loss of markets has resulted in a considerable restructuring of the industry. Although only one major producer - International Harvester - has withdrawn completely, there has been a massive movement of US production to Europe, a major push for exports and considerable emphasis on the market for mini-tractors, traditionally the preserve of the Japanese.

In the agricultural machinery sector, which covers a wide range of equipment from ploughs and drills to milking machinery, some rationalisation has taken place but more seems on the cards. In the EC, the sector involves several thousand tiny producers; there seems certain to be a contraction in these numbers as a result of mergers or acquisitions with the onset of the single European market in 1992. In 1986 in the UK the market fell by nearly 20 per cent overall, though some sectors - for example, milking machines - have lost as much as 50 per cent of their sales due to the imposition of milk quotas.

In the \$20bn worldwide agro-chemical sector, where the success of pesticide development has had much to do

with increasing yields, the decline in markets as a result of the farm crisis has been much less marked. The growth of the industry is predicted to slow to around 3 per cent over the next two years, compared to the 4 per cent a year increase which it has achieved over the last 15 years.

Over that time, there has been a marked increase in the size of companies involved in the agro-chemicals sector, partly because of the costs of developing new pesticides. One successful product can cost as much as \$50m to develop.

Meanwhile, increasing concern within industrialised countries of the effect of pesticides on the environment partly explains one of the most interesting new developments which has characterised the industry over the past couple of years - the acquisition by agro-chemical and agri-business conglomerates of specialist seed businesses. ICI, Unilever and Hookers within the UK have all recently acquired seed breeding companies, at least partly with the intention of breeding disease-resistant strains.

Two other sectors which have been hit by the downturn in farming, though in different ways, are the fertiliser and the animal feed industries. In the

former, one of the problems has been that while markets have declined as farmers have cut fertiliser use to pare their own costs, the resulting overcapacity has coincided with increasing competition from Eastern Europe and some Third World suppliers. This has led to a shake-up among Europe's fertiliser companies which is beginning to produce a leaner, less labour-intensive and more efficient industry.

The feed industry in Europe has been particularly badly hit by the imposition of milk quotas, since to cut costs farmers have increased the grass silage fed to cows and drastically cut back on feed concentrates. Additional factors which have particularly affected the UK industry have been the availability of cereal substitutes, such as manioc, which are imported into the EC via Rotterdam and reach the UK at prices considerably below those of more traditional supplies.

Once again, a shake-up of the industry is under way, with many small millers and compounders gradually going out of business, a number of larger companies - such as Unilever in Europe - also pulling out, and the remainder undergoing considerable rationalisation.

There are a few bright spots in all this: agro-chemical companies, for example, have hopes of good Third World markets, while several of the largest agribusiness companies are becoming involved in the new bio-technology, which may yet - if at great cost - make the increased yields achieved over the past 20 years look minuscule.

Some feed companies are beginning to diversify into higher margin products like pet foods. Some agricultural merchants - which in the UK have declined in number from 2,500 post-war to well under 1,000 today - are managing to corner part of the burgeoning garden supplies market.

With the decline of the traditional agricultural merchant and the increasing sophistication of farming and expense of farming machinery, new opportunities are opening up in the UK and elsewhere for farm financing companies, often linked to banks and involved in the leasing of farm equipment.

But the factors lending uncertainty to the scene outweigh those more hopeful signs. The US drought is a reminder of the maverick effects of the weather on agricultural business for while world grain prices have been driven up, sales to US Mid-

West farmers have dropped sharply. Those increased prices may temporarily persuade EC or US governments to ease up on farm reforms, but the financial pressures which gave rise to those reforms in the first place could well return with a vengeance in a year or two if farmers step up production in response to the higher prices.

It is far from clear at the moment whether much will be achieved in the current round of the Gatt negotiations aimed at reducing the distortions in world farm trade which have been mainly caused by the industrial nations' subsidies. But if trade is not liberalised, the outlook for farm exports to the Third World from the EC or the US is gloomy.

As a recent report from the International Wheat Council made clear, developing country markets seem unlikely to offer much room for expansion because while some of those countries will themselves produce more of their own food requirements, others will be prevented from importing because of their increasing illiquidity and debt crises.

For the time being, the worst of the early 1980s crisis may have passed for the agricultural supply industry, but that is far from an assurance of a rosy future.

## Agricultural Supply Industries



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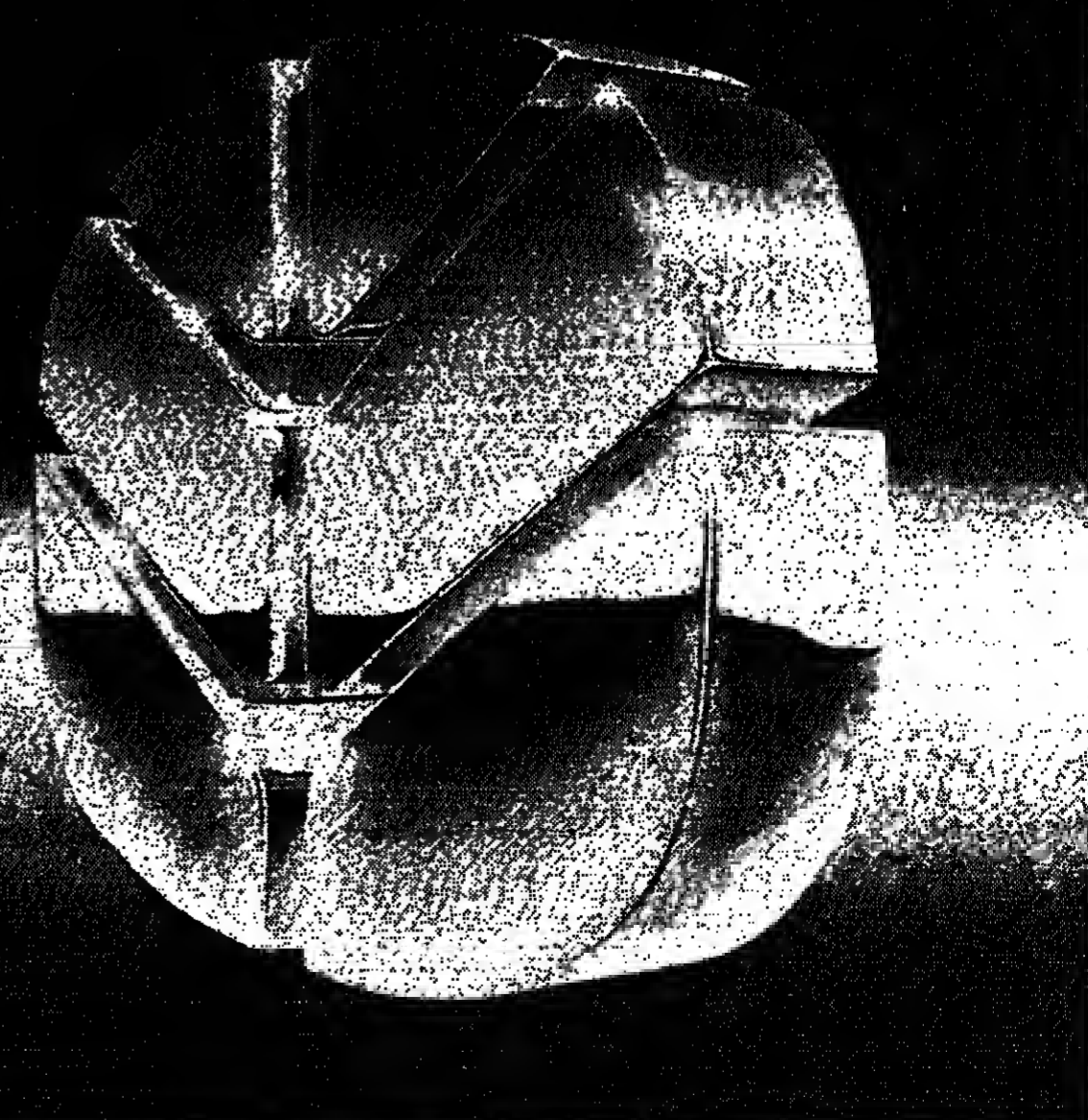
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AGRICULTURAL SUPPLY INDUSTRIES 2

What biotechnology could offer in the future

Techniques that promise benefits may be harmful

THE GREEN cow provides perhaps the most compelling image of what the new science of biotechnology has to offer agriculture.

Green cows would operate more or less in the same way as plants in converting directly into energy, and in the case of the animals, into meat and milk of use to humans.

At the moment of course cows, along with other herbivorous animals, have to gain their energy through the time-consuming and messy procedure of eating grass and similar vegetation.

Such substances have already obtained their energy from the sun by the action of bundles of biological material called chloroplasts which are present in their cells.

If scientists could somehow manage to incorporate these chloroplasts (which are at least partly responsible for plants' greenness) into the cellular structures of cattle, then the animals would no longer depend on good grazing conditions but would merely require a source of sunlight in order to grow fit and healthy.

The human race could similarly benefit. If men and women had chloroplasts implanted into their skins, they could conceivably grow and develop without much need for food so long as they were exposed to plenty of solar radiation.

Such a scenario could do a lot to solve the world's food shortages. It could also give a boost to travel companies selling package holidays to the earth's sunnier regions.

Green cows or sheep do not exist - not yet. But, armed with modern techniques of molecular biology, scientists may be able over the next few decades to produce such creatures or others transformed from today's animals in similar ways.

The changes that these steps might bring about could materially change the way agriculture is organised.

Biotechnology, which encompasses a set of laboratory methods by which researchers can alter the genetic structures of animal or plant cells to change fundamentally the way they develop, could equally

affect the arable side of farming.

In this area, scientists in many parts of the developed world are already trying to change plant cells so that they develop particular resistance to diseases or insect attack.

Thus, plants such as wheat or maize grown with this immunity inbred into them

points out, the scientific methods involved are so new that there is little understanding of the risks that may be involved. The report, from the Office of Technology Assessment, a research arm of Congress, says: "Some of the controversies surrounding the initial attempts to release genetically

cally engineered substance that could alter the milk production mechanisms in mammals, causing cows greatly to increase their milk yields.

Applications for BST have yet to take off, at least partly because environmentalist groups have raised objections to the use of the substance.

There has also been a reaction from some observers that milk production in many countries, including much of Europe, is already well above demand. Hence artificial stimulation of cows' bodies to produce still more of the liquid might not be appropriate.

Other possibilities raised by biotechnology include genetic techniques to alter the protein manufacturing characteristics of animals such as cows or goats. Such work could make it possible for these beasts to become miniature drug-production plants, turning out large quantities of proteins such as blood products which are in high demand as medications.

These techniques are being carried out, for example, at Integrated Genetics, a US company, and at Pharmaceutical Proteins, a company which has been formed to exploit work done by scientists at the UK Agriculture and Food Research Council.

Other ideas, which may gradually come to fruition over the next few years, are to change the development behaviour of mice and other small animals to make them more suitable for studying how new types of pharmaceuticals operate when infused into animals' bodies.

This kind of work, which could conceivably hasten the development of drugs for illnesses like cancer and other crippling human ailments, also involve people in making difficult choices about the ethics of introducing new genetic systems into animals.

The moral arguments are likely to be as persuasive as the scientific ones over the next few years as the debate intensifies.

"Field Testing Engineered Organisms, Office of Technology Assessment, Washington DC 20510.

Peter Marsh

If men and women could grow and develop without much need of food so long as they were exposed to plenty of solar radiation, that would do a lot to solve the world's food shortages

could develop virtually unimpeded in even the most difficult farming conditions, greatly reducing the need for pesticides and possibly adding significantly to the world's food production.

The new techniques, however, may also lead to pitfalls. Many observers, representatives of environmentalist groups in particular, are worried by the potential consequences of changing in such a large scale fashion the way that plants and animals develop.

There have been fears that tinkering with the genetic make-up of such organisms

engineered organisms into the environment have pointed out gaps in knowledge about ecological systems.

"Interdisciplinary programmes involving microbiologists, geneticists, ecologists, evolutionary and molecular biologists, epidemiologists and risk assessors... are critical to developing the scientific foundation for setting adequate risk assessment and risk management policies for biotechnology."

The companies which are involved in genetic techniques to alter molecular biology the characteristics of either

Changing the behaviour of mice could hasten the development of drug for illnesses like cancer, but it involves difficult choices about the ethics of introducing new genetic systems into animals

could lead to the accidental propagation of man-made cellular material that could possibly be harmful to mankind.

This could happen if, for instance, the biological fragments produced by genetic engineering somehow were able to colonise within parts of the human body and develop there, possibly interfering with humans' own reproduction and growth.

As a recent US report on genetic transfers of this type

plants or animals include many of the chemicals and pharmaceutical concerns such as Monsanto and Du Pont of the US, Hoechst and Bayer of West Germany, Britain's Imperial Chemical Industries and Switzerland's Ciba-Geigy.

Among the schemes which have started up in recent years are projects by several US companies, including Monsanto and International Minerals and Chemicals, to produce bovine somatotropin (BST), a gene-

ANIMAL FEED

Wide acres/narrow margins

THIS SUMMER'S dramatic rise in the price of soyabean meal is the latest in a list of factors which have adversely affected the animal feed trade in recent years. At one point in late June and early July, UK feed compounders were paying £265 per tonne (from £165 only a few weeks previously) as panic over the US drought gripped the Chicago markets. Since then, the price has fallen to £200 and wheat prices have risen but as the drought continues markets remain volatile.

Along with fish meal, the price of which has also gone up sharply because of restricted fishing in South America, soyabean is a major source of protein for animal feeds. It seems likely to hold that position since some animal-based protein sources, such as bone and blood meals, have been implicated in the spread of disease among cattle. The industry is therefore left with an over-capacity which insiders put at about 20 per cent in spite of some recent plant closures. And the narrow margins of those that are left are illustrated by the fact that the whole UK industry was estimated to have turned in a profit last year of a mere £150m on a turnover of almost £2.2bn.

In their quest for cheaper (they would say more competitive) animal feeds, compounders have turned to unconventional ingredients. These come under the broad, but to some extent imprecise, generic title of cereal replacers or CRs. The CR business began in the early 1970s when Dutch merchants looking for ways to cheapen feeds for Holland's expanding livestock population realised that whereas imports of cereals into the EC attracted duty, certain products available on world markets could be freely imported. The first they identified was tapioca, or ground manioc root and Thailand became and has remained the main supplier.

As might be expected, given all these pressures, the UK animal feed industry has declined over the last few years. According to the United Kingdom Agricultural Supply Trade Association (UKASTA) the total tonnage of animal feeds sold in the UK in 1983 (before milk quotas) was 12.22m tonnes. By 1986 the figure had dropped to 11.13m tonnes - a modest fall considering all the adverse factors. But an unofficial estimate suggests the figure for 1987 will be as low as 10.7m tonnes.

The industry is therefore left with an over-capacity which insiders put at about 20 per cent in spite of some recent plant closures. And the narrow margins of those that are left are illustrated by the fact that the whole UK industry was estimated to have turned in a profit last year of a mere £150m on a turnover of almost £2.2bn.

Meanwhile, recession in both pig and poultry production, which has now lasted more than a year and shown little sign of abating, has driven some farmers out of production and led to more lost business for feed manufacturers. In order to lock in as much trade as possible, some companies have developed and expanded vertically integrated schemes whereby they finance and supply both livestock and feed and the farmer is paid for the use of his buildings and his labour. This trend seems likely to continue.

As might be expected, given



Feeding pigs on a Herefordshire farm

price of cutting the guaranteed price of cereals and will be triggered if, as expected, the European grain crop exceeds 160m tonnes. In simple terms, a crop of 164.8m tonnes will double the levy chargeable on grain sales off farms to £7.06 a tonne.

Initially, it appeared that this would provide yet more incentive for farmers to homestead and lead to lost trade to the feed industry. But a recent ruling by the European Court of Justice has stated that provided a farmer delivers a provable quantity and quality of cereals to a feed compounder, consistent with the production of animal feeds later supplied back to that same farmer, the tonnage concerned will be exempt from the levy. The paperwork involved would be horrendous. Even so, the feed trade which will retain tonnage and the farmer who will save £7.06 a tonne are breathing a collective sigh of relief.

Meanwhile, recession in both pig and poultry production, which has now lasted more than a year and shown little sign of abating, has driven some farmers out of production and led to more lost business for feed manufacturers. In order to lock in as much trade as possible, some companies have developed and expanded vertically integrated schemes whereby they finance and supply both livestock and feed and the farmer is paid for the use of his buildings and his labour. This trend seems likely to continue.

As might be expected, given

Table: Compound Feed Production in EC Countries. Figures in thousands of tonnes. Columns for 1983, 1984, 1985, 1986. Rows for UK, W. Germany, France, Belgium, Italy, Denmark, Ireland, Total.

Table: EC Imports of non-grain feed ingredients. Figures in millions of tonnes. Columns for 1983, 1987. Rows for Manioc, Sweet potatoes, Bran, Beet pulp, Maize gluten, Brewers' grains, Maize germ cake, Citrus peels, Other, Total.

FARM MACHINERY

A taste of things to come

THE PROSPECT of 1992 is beginning to worry Europe's farm machinery makers. An industry fragmented into literally thousands of tiny producers with only a few major suppliers, it looks ripe for rationalisation.

"You could see a situation where one company decides virtually to corner the market in one type of product by purchasing other companies in other countries or forming alliances," says Mr Chris Evans, economist at the UK's Agricultural Engineers Association which represents British-based agricultural machinery and tractor makers.

A few cross-border shifts have happened already. Three years ago, Fiat of Italy acquired Brand, a French manufacturer of grape harvesting machines. Last year Electrolyz of Sweden purchased the farm machinery interests of UK company Ransomes Sims and Jefferies.

This year Greenland of the Netherlands, a manufacturer of balers, forklift spreaders and other equipment, negotiated a co-operation agreement with Deutz, the West German tractor and farm machinery maker. Greenland's Vicon division in Canada had purchased earlier this year the baler and rotary combine activities of Massey-Ferguson, part of the UK's Vauxly group.

All this is a taste of things to come. Some countries are going to lose out if the European industry goes through a major convulsion and some observers believe the UK could be in a weak position.

In the UK the agricultural machinery sector includes 300 companies, half of them employing 20 people or fewer. Many of these companies have been thinking hard about the likely impact of a more open machinery market. Some of them are discussing possible mergers and alliances, though as yet nothing concrete has come of this.

The UK is an example of the

in the UK by purchasing lines from a number of companies. It took the pneumatic fertilizer spreaders and planting equipment from the AC Bannock group which had gone into receivership. (It followed up last year by purchasing the conventional drill range made by Bettinson.)

The UK market did not fall so steeply last year but that did not prevent another surge

Some countries will lose out if the European industry goes through a major convulsion in 1992 - and the UK could be in a weak position

way pressures in such fragmented industries lead to domestic restructuring of companies. What tends to happen is that the sale or collapse of companies results in plant rationalisations but product lines live on in the hands of other firms with the cash to buy them.

The resilience of product ranges was demonstrated particularly by the industry's two big failures - in 1980 that of Howard Machinery whose rotator is now made by other companies and Wechs which was the UK market leader in trailers when it went down in 1984.

Change has continued in the UK. In 1986, the machinery market tumbled by 18 per cent and a number of companies slid into receivership. There was also a rash of ownership shifts. The Wolsley group, which has seven farm machinery businesses, confirmed its status as the biggest producer

of management buy-outs and agreed company purchases. The industrial holding group, Hestair (which owned the Bettinson range) got out of the business altogether. One of its main operations, the seed drill maker Stanhay-Webb was bought by its management.

Wright-Rain, a Hampshire irrigation equipment maker, was also subject to a management buy-out as was Javelin Irrigation which makes similar products.

Unlike tractors, which made more than a £200m positive contribution to the balance of payments last year, the UK is a net importer of farm machinery. Out of total sales of £278m last year for agricultural machinery (which excludes wheeled tractors) £15m was exported, according to association figures. But imports stood at £207m.

Any failure on the part of Britain's farm machinery sector to defend even its existing

minimal value as an animal feed containing only 2.5 per cent protein, a little fibre, even less oil and 70 per cent starch. But blended with the correct balances of soyabean meal, fish meal and the like it made up an acceptable cheap feed for Dutch pigs and poultry.

Last year almost 7m tonnes of manioc was imported into the EC. In addition, a wide range of other commodities, most of which are by-products of some industrial process and many of which contain more valuable nutrients than manioc, can also be imported free of tariffs - provided they meet certain quality criteria.

Maize gluten, for instance, is a high quality by-product of the starch industry. Collectively, importation of CRs in 1986 added up to a total of 18.25m tonnes. Of that less than 10 per cent came to the UK, partly because many British compounders say they prefer to use more "respectable" ingredients, but mainly because Holland still dominates the trade.

The bulky material arrives in enormous cargo ships which only ports like Rotterdam can handle. By the time Dutch merchants have transhipped the commodities, added their profit and sent them across the North Sea, they are no longer attractively priced. So when British animal nutritionists feed the analysis and price data of such products into their computers to calculate least-cost formulations CRs are less preferred than in some other EC countries.

Dutch animal feeds, on the other hand, and increasingly those in Italy and Spain, as these countries improve their port facilities to take CRs, are being supplied to farmers considerably cheaper than those in the UK. It could be argued that British farmers are at a disadvantage to some of their European colleagues. It also helps to explain why sales of compound feeds in some other EC countries have remained stable while those in Britain have declined.

Cereal growers, meanwhile, are keen to limit or ban the importation of CRs into the Community. Prohibit them, they say, and the perceived annual cereal surplus of between 30m and 40m tonnes would be reduced by at least half.

In their negotiations on this year's EC farm prices, the Council of Agriculture Ministers presumably conceded that there was some point to this argument. In any event, they discussed the possibility, not of banning what has become politically sensitive imports but of paying a premium on European grown grain included in animal feeds in order to make it attractive compared with CRs. No decision was made, however and the proposal was put aside until October when it will be discussed again.

Meanwhile, the animal feed trade in general, after being repeatedly squeezed in recent years, is probably more efficient now than it has ever been. In spite of that, over-capacity in the industry combined with intense competition for declining tonnages will almost certainly lead to business failures in the short term.

David Richardson

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# LETTERS

## UK bilateral aid to Zimbabwe may be conditional

From Mr Roger Riddell  
 Sir, Your article (September 5) on the recent report of the House of Commons foreign affairs committee is neglected to draw attention to important differences between the committee and the Overseas Development Administration (ODA) concerning the provision of programme aid.

As well as lamenting the low level of British aid, the committee criticised the linking of British bilateral programme aid with the conditionality of the International Monetary Fund (IMF) and "the self-imposed constraint on British aid funds" associated with the support for structural adjustment programmes in sub-Saharan Africa.

This week in Harare Mr James Rawlings, the US Ambassador, lifted the two-year freeze of US assistance to Zimbabwe by signing a \$10m aid agreement with the Zimbabwe Government. Commenting on reasons for the re-establishment of his country's aid programme, the Ambassador said that of greatest importance was "the recognition that Zimbabwe's economy is healthy and dynamic with the potential for greater growth based on the successes of the past".

In sharp contrast, in its submission to the foreign affairs committee the ODA argued that further programme aid to Zimbabwe would depend on the Zimbabwe authorities reaching agreement on certain measures of economic reform with the international financial institutions. It will be considerable interest to the committee, together African countries whose programme aid from Britain has been constrained by dispute with the international agencies and, not least, to the Zimbabweans, to see what action will now be taken.

## Mutual freeze in radar construction would build trust

From Mr Adam Shulman  
 Sir, Andrew Gower's article, "US presses Moscow on ABM Treaty" (September 1), covering the attempts by the committee to deflect criticism and put the onus on the Soviet Union for alleged ABM (anti-ballistic missile) treaty violations, correctly pinpoints the reasons behind the actions of the US — an attempt to retain a free hand in SDI (strategic defence initiative, or "Star Wars") research.

US claims of violation centre around the Krasnoyarsk radar station in Siberia, which has been designed in such a way as to rule out any possibility of it being used as part of an anti-ballistic missile system. Because it only operates on a one-meter wave band, the radar will only be capable of peaceful use, such as tracking space objects. It cannot be used for advanced warning of missile attack, or for tracking and guiding missile warheads. Anyway, when it finally goes into service the Americans will be able to monitor it electronically.

The US has full knowledge of these facts — last year a group of American scientists and congressmen asked to inspect the radar, and were given free rein. The Soviet Union has tried to compromise in an attempt to find a solution that both sides can live with. It has even halted construction on the Krasnoyarsk radar for nearly a year now, with an additional offer to dismantle it once the 1973 Treaty is being fully honoured.

The expectation was that the US would follow suit and freeze construction of its radars at Fylingdales in Britain and Thule in Greenland. However, the US and Soviet Union facilities are clearly not being built with the same end-use in mind.

## P&O seamen's dispute at Dover

From Mr Sam McCluskie  
 Sir, The basis of your report, "Sacked P&O seamen lose fall-back pay" (September 2), is wrong.

Seamen in dispute in Dover have never been paid fall-back pay from the Merchant Navy Establishment (MNE), nor are they entitled to receive any. Those who remain on strike are dependent on the financial support given by sympathisers and fellow trade unionists. This wholly inaccurate suggestion that they are receiving money from the MNE is therefore highly irresponsible and damaging to this union's fundraising efforts.

## French policy on waste

From Mr Guy Yelda  
 Sir, In your article in poison and safety (August 31), you explicitly put a finger at the French Government in connection with a bilateral agreement allegedly concluded with Benin to export radioactive and industrial waste to that country, in return for payment and a promise of economic assistance.

These accusations are totally untrue and have already been categorically denied several times. On the more specific subject of nuclear waste, France's policy has always been to store all her own waste on her national territory, under proven safety conditions and with strict supervision.

## When men and mountains meet

From Mr Charles Desforges  
 Sir, Complaints about the units in which the royal baby's weight and Treasury stock quotations are expressed (Letters, August 16, 24), are inappropriate. Despondency is more to the point when reports on Eurotunnel delays (August 23) talk of "failure to complete five miles on the English side by November."

With these problems, the tunnels may not meet by 1992 (or 5/83, or even 1413, depending on your calendar preference). Charles Desforges, High Trees, Templewood Lane, Farnham Common, Buckinghamshire

## Stakes taken in land values

From Mr Henry Law  
 Sir, Clive Wolman's analysis of distortions in the housing market ("The myths of owner occupation," Weekend FT, August 27) has ignored some of the most important reasons why owner occupation has become so popular — not just among householders, but in the business sector also.

First, the desire to be in control of one's own environment is widespread, and not readily satisfied in a rented property. Second, owner-occupation gives a stake in rising land values and protection against ever-rising rents, whereas in rented accommodation the benefits of rising rents and land values pass to the landlord. The Government should not be blamed for trying to ensure that people can have what they want. But, as Mr Wolman points out, there is indeed a lack of equity as between owner-occupiers and those in rented accommodation. However, the balance cannot be restored, as he suggests, by taxes on capital gains and on the imputed rental income of owner-occupiers.

## Poverty trap opens in housing

From Ms Sheila McKechnie, Director, Shelter  
 Your editorial on the Post Office dispute (August 31) includes the sensible and simple statement: "What is also needed is a co-ordinated effort by local councils, business and central government to improve the availability of housing for workers on below average earnings."

It is the low paid worker who will be most at risk. A new poverty trap is being created here. Those on full housing benefit, through unemployment or sickness, may actually be better off in financial terms than the low paid worker (although restrictions on housing benefit will mean a significant reduction in those who fall into the "full housing benefit" category).

There can be no justification for a tax on house occupation based on the notional rental value of a house. You might as well regard car owners as being in receipt of an imputed income based on taxi fares saved, and tax them accordingly. A tax on houses would penalise improvement and development — while encouraging properties to be held vacant in the hope of rising values. And a tax on capital gains would be a disincentive to move house.

## Pre-1992 acquisition 'splurge' into Europe seems unlikely

From Mr Mark Dixon  
 Sir, The mergers and acquisitions activity implied by 1992 (as discussed in your leader "New target for UK takeovers," August 23) needs to be put into perspective. There is a popular misconception that, in their rush to establish themselves in Europe before 1992, UK companies will launch into a European acquisition splurge.

The US market is not only attractive to UK companies because of its size, homogeneity and similar tongue, but also because the British have built up a track record there. It will continue to be attractive for a number of reasons. These include: "Investment herds" — in their quest for scale economies, companies will be tempted to make future acquisitions on the same continent. 55 per cent of UK companies which acquired in the US, surveyed after their record investment in 1987, indicated that they intended further US acquisitions.

Many UK companies which have not yet acquired in the US will be forced to do so in order to compete with those which already have. (A series of such "trigger" acquisitions in the US has taken place among UK advertising groups.) Long-term interest in the US market as indicated by (inter alia) UK acquisitions after the stock market crash of October 1987, which pulled the financing carpet out from under many UK companies planning US acquisitions. In the first quarter of 1988 we recorded 110 deals worth \$9.2bn (equal to the pre-crash quarterly spend). There is no reason to believe that this investment flow will evaporate simply because there is now an awareness of Europe's opportunities.

That said, the important UK buyers in Europe will probably be those which have already expanded sufficiently in the US. In terms of number of UK deals made, Europe may equal the US as we approach 1992, but the average size of deals in Europe will be smaller than in the US (currently \$94m). The European deals will be smaller because of the fragmented nature of the investment. It will probably not be until the late 1990s — after a "testing period" — that the annual value of acquisitions in Europe will equal the value in the US. There has been a considerable historical build-up of British acquisition investment in the US. Europe will probably have to wait until the next century before accounting for an equal share.

## ADVERTISMENT

**PLESSEY HOTLINE**

### LEAD CONTRACTOR FOR NATO IDENTIFICATION

The appointment of Plessey as UK lead contractor for the long-awaited NATO Identification System (NIS) opens a new era in defence.

The introduction of NIS on a tri-service, system-wide basis will constitute a major MoD investment on one of the largest electronic projects currently envisaged.

Plessey has been involved in NIS since its concept in the early 1970s, through feasibility studies and project definition. It participated in the recent and successful international interoperability trials in the USA.

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## FOREIGN AFFAIRS

### An era of doubt and difficulty

Ian Davidson assesses the challenges for Europe in the coming decades

In the past few years, two striking things have happened. Some of the political expectations about the shape of the world which once appeared to be built on rock now look much less reliable, starting with the assumption of an incurable hostility between East and West. And there has been a radical shift to economic liberalism worldwide, with a globalisation of every kind of market, and a down-grading of welfareism and state intervention.

These twin factors can be expected to spawn far-reaching changes worldwide, but for Europe the changes could be so radical as to verge on the revolutionary. Here are some of the implications:

● In the 40-year old East-West confrontation, Europe has necessarily been in the front line. If that confrontation were to give way to something else, it is in Europe that the effects would be most pronounced. We may not yet know whether Mr Gorbachev is pursuing genuine détente, or merely "détente" as a way of improving Soviet leverage; but we do know that he is pursuing a policy of movement and initiative which is quite different from the policy of his predecessors, and which in general puts in question the fixed structures of the Western side.

## UK bilateral aid to Zimbabwe may be conditional

From Mr Roger Riddell  
 Sir, Your article (September 5) on the recent report of the House of Commons foreign affairs committee is neglected to draw attention to important differences between the committee and the Overseas Development Administration (ODA) concerning the provision of programme aid.

As well as lamenting the low level of British aid, the committee criticised the linking of British bilateral programme aid with the conditionality of the International Monetary Fund (IMF) and "the self-imposed constraint on British aid funds" associated with the support for structural adjustment programmes in sub-Saharan Africa.

This week in Harare Mr James Rawlings, the US Ambassador, lifted the two-year freeze of US assistance to Zimbabwe by signing a \$10m aid agreement with the Zimbabwe Government. Commenting on reasons for the re-establishment of his country's aid programme, the Ambassador said that of greatest importance was "the recognition that Zimbabwe's economy is healthy and dynamic with the potential for greater growth based on the successes of the past".

In sharp contrast, in its submission to the foreign affairs committee the ODA argued that further programme aid to Zimbabwe would depend on the Zimbabwe authorities reaching agreement on certain measures of economic reform with the international financial institutions. It will be considerable interest to the committee, together African countries whose programme aid from Britain has been constrained by dispute with the international agencies and, not least, to the Zimbabweans, to see what action will now be taken.

## Mutual freeze in radar construction would build trust

From Mr Adam Shulman  
 Sir, Andrew Gower's article, "US presses Moscow on ABM Treaty" (September 1), covering the attempts by the committee to deflect criticism and put the onus on the Soviet Union for alleged ABM (anti-ballistic missile) treaty violations, correctly pinpoints the reasons behind the actions of the US — an attempt to retain a free hand in SDI (strategic defence initiative, or "Star Wars") research.

US claims of violation centre around the Krasnoyarsk radar station in Siberia, which has been designed in such a way as to rule out any possibility of it being used as part of an anti-ballistic missile system. Because it only operates on a one-meter wave band, the radar will only be capable of peaceful use, such as tracking space objects. It cannot be used for advanced warning of missile attack, or for tracking and guiding missile warheads. Anyway, when it finally goes into service the Americans will be able to monitor it electronically.

The US has full knowledge of these facts — last year a group of American scientists and congressmen asked to inspect the radar, and were given free rein. The Soviet Union has tried to compromise in an attempt to find a solution that both sides can live with. It has even halted construction on the Krasnoyarsk radar for nearly a year now, with an additional offer to dismantle it once the 1973 Treaty is being fully honoured.

The expectation was that the US would follow suit and freeze construction of its radars at Fylingdales in Britain and Thule in Greenland. However, the US and Soviet Union facilities are clearly not being built with the same end-use in mind.

## P&O seamen's dispute at Dover

From Mr Sam McCluskie  
 Sir, The basis of your report, "Sacked P&O seamen lose fall-back pay" (September 2), is wrong.

Seamen in dispute in Dover have never been paid fall-back pay from the Merchant Navy Establishment (MNE), nor are they entitled to receive any. Those who remain on strike are dependent on the financial support given by sympathisers and fellow trade unionists. This wholly inaccurate suggestion that they are receiving money from the MNE is therefore highly irresponsible and damaging to this union's fundraising efforts.

## When men and mountains meet

From Mr Charles Desforges  
 Sir, Complaints about the units in which the royal baby's weight and Treasury stock quotations are expressed (Letters, August 16, 24), are inappropriate. Despondency is more to the point when reports on Eurotunnel delays (August 23) talk of "failure to complete five miles on the English side by November."

## Stakes taken in land values

From Mr Henry Law  
 Sir, Clive Wolman's analysis of distortions in the housing market ("The myths of owner occupation," Weekend FT, August 27) has ignored some of the most important reasons why owner occupation has become so popular — not just among householders, but in the business sector also.

First, the desire to be in control of one's own environment is widespread, and not readily satisfied in a rented property. Second, owner-occupation gives a stake in rising land values and protection against ever-rising rents, whereas in rented accommodation the benefits of rising rents and land values pass to the landlord. The Government should not be blamed for trying to ensure that people can have what they want. But, as Mr Wolman points out, there is indeed a lack of equity as between owner-occupiers and those in rented accommodation. However, the balance cannot be restored, as he suggests, by taxes on capital gains and on the imputed rental income of owner-occupiers.

## Poverty trap opens in housing

From Ms Sheila McKechnie, Director, Shelter  
 Your editorial on the Post Office dispute (August 31) includes the sensible and simple statement: "What is also needed is a co-ordinated effort by local councils, business and central government to improve the availability of housing for workers on below average earnings."

It is the low paid worker who will be most at risk. A new poverty trap is being created here. Those on full housing benefit, through unemployment or sickness, may actually be better off in financial terms than the low paid worker (although restrictions on housing benefit will mean a significant reduction in those who fall into the "full housing benefit" category).

There can be no justification for a tax on house occupation based on the notional rental value of a house. You might as well regard car owners as being in receipt of an imputed income based on taxi fares saved, and tax them accordingly. A tax on houses would penalise improvement and development — while encouraging properties to be held vacant in the hope of rising values. And a tax on capital gains would be a disincentive to move house.

## Pre-1992 acquisition 'splurge' into Europe seems unlikely

From Mr Mark Dixon  
 Sir, The mergers and acquisitions activity implied by 1992 (as discussed in your leader "New target for UK takeovers," August 23) needs to be put into perspective. There is a popular misconception that, in their rush to establish themselves in Europe before 1992, UK companies will launch into a European acquisition splurge.

The US market is not only attractive to UK companies because of its size, homogeneity and similar tongue, but also because the British have built up a track record there. It will continue to be attractive for a number of reasons. These include: "Investment herds" — in their quest for scale economies, companies will be tempted to make future acquisitions on the same continent. 55 per cent of UK companies which acquired in the US, surveyed after their record investment in 1987, indicated that they intended further US acquisitions.

Many UK companies which have not yet acquired in the US will be forced to do so in order to compete with those which already have. (A series of such "trigger" acquisitions in the US has taken place among UK advertising groups.) Long-term interest in the US market as indicated by (inter alia) UK acquisitions after the stock market crash of October 1987, which pulled the financing carpet out from under many UK companies planning US acquisitions. In the first quarter of 1988 we recorded 110 deals worth \$9.2bn (equal to the pre-crash quarterly spend). There is no reason to believe that this investment flow will evaporate simply because there is now an awareness of Europe's opportunities.

**PLESSEY HOTLINE**

### LEAD CONTRACTOR FOR NATO IDENTIFICATION

The appointment of Plessey as UK lead contractor for the long-awaited NATO Identification System (NIS) opens a new era in defence.

The introduction of NIS on a tri-service, system-wide basis will constitute a major MoD investment on one of the largest electronic projects currently envisaged.

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Brussels plays rough with VCR imports

William Dawkins looks at the justification for the latest anti-dumping levies

THE European Commission's latest anti-dumping penalties...

This latest trade skirmish brings the string of Commission anti-dumping actions...

The provisional fines are the outcome of a complaint lodged last year...

The duties could bring price rises of nearly 30 per cent - the heaviest levy...

Yet this sacrifice is worth making in the EC's broader interests...

A possible limited disadvantage to consumers with respect to the higher prices of VCRs...

The fines hit five companies, two Japanese and three South Korean...

The two Japanese companies represent only a small part of the country's VCR industry...



star with 26.4 per cent and Samsung with 25.2 per cent...

uation of the won, the South Korean currency...

All this means that the companies involved will suspect Brussels more than usual of stretching the rules...

The attractiveness of Europe's VCR market for Far Eastern producers has partly in its steady growth...

Philips and Grundig lodged an anti-dumping complaint against Japanese VCRs...

1985 to 29 per cent now, directly at the expense of EC producers...

As a result, EC producers "suffered severe losses on their sales of VCRs..."

One reason for this extra toughness is the Commission's fear that South Korea is storing up a lot more damage for the future...

"The US market is highly competitive, does not allow profits to be made and seems to be saturated..."

China to manufacture Japanese video recorders

By Ian Rodger in Tokyo

THE AUTHORITIES of four Chinese cities are in talks with European and Japanese consumer electronics companies...

Nanking and Chengdu, but would not invest in the plants being planned by each city...

reports that the company's investment in it would be Ybn (\$37m). A company official said...

with the city of Dairen to build a similar plant.

Nato warship design study costs soar

By Lynon McLain in London

THE first industrial contracts for the \$3bn (\$13.4bn) Nato frigate project...

ISS is already seeking more money to meet their cost...

Studies into two competing missile systems for NFR90 have just started...

between the US Navy and Royal Navy over the type of systems they want...

Expulsion heralds union split

Continued from Page 1

with the hissing and shouting which he and other RETPU leaders have been receiving in recent years...

Mr Willis said that the electricians union had shown no sign that it would reconsider its rejection of the TUC...

The GE team comprises Computer Sciences, FMC Corporation, General Dynamics...

Mr Hammond, in a speech which was also applauded at the end, distinguished between the TUC and his union's members...

Motorola advances Europe carphone bid

By Terry Dodsworth, Industrial Editor, in London

MOTOROLA, the US electronics group, is emerging as one of the front-runners to put in place a pan-European car telephone system...

The scheme was developed with the idea of creating a common system throughout western Europe...

The US group also acquired Storno, Danish telecommunications equipment concern...

With the bulk of the contracts for the digital system still to be awarded...

Iran 'in talks on Krupp stake'

Continued from Page 1

Mr Paul Spicer, a Lorch director, refused to confirm that the meeting had taken place...

"Peace has broken out in the Middle East," he added, referring to the recent ceasefire in the Iran/Iraq war...

Dr Subroto has also failed to make progress on the bitter dispute over the definition of which production falls under the Opec quota.

Oil prices hit by Gulf output reports

Continued from Page 1

Many in the industry, however, now see the beginnings of a big battle among the Gulf oil producers...

Opec production for August is estimated at close to 20m barrels a day...

The United Arab Emirates are each believed to have boosted production significantly above their assigned quota levels...

Dr Subroto has also failed to make progress on the bitter dispute over the definition of which production falls under the Opec quota.

Iran 'in talks on Krupp stake'

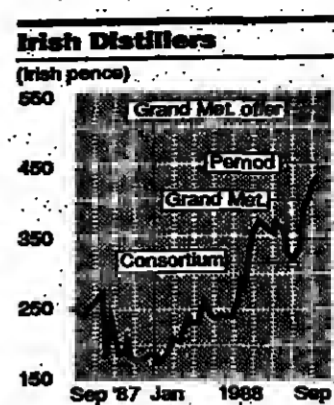
Continued from Page 1

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Dr Subroto has also failed to make progress on the bitter dispute over the definition of which production falls under the Opec quota.

Makeshift weapons in the whiskey war

The Takeover Panel must be satisfied it had never heard of Irish Distillers...



At first sight the Helsinki stock market would seem to be the sort of place where the smart global investor should have been able to strike it rich...

Blue Arrow

As Blue Arrow's share price jumped 6 per cent yesterday, it was noticeable that though business was brisk...

Finland

At first sight the Helsinki stock market would seem to be the sort of place where the smart global investor should have been able to strike it rich...

Oil prices

Twice this year the oil price has tried - and failed - to move convincingly below \$14 a barrel...

Expulsion heralds union split

Continued from Page 1

with the hissing and shouting which he and other RETPU leaders have been receiving in recent years...

Sime Darby Group advertisement with financial highlights table for 1988 and 1987.

WORLD WEATHER table with columns for location, temperature, and other weather data.





**INTERNATIONAL COMPANIES AND FINANCE**

**German note maker banks on its security**

Haig Simonian visits Giesecke & Devrient, the secretive and little-known printer

THE SMOOTH introductory video says there is "a veil of silence" but looking at the safeguards at Giesecke & Devrient, one of the world's leading security printers, even that is an overstatement.

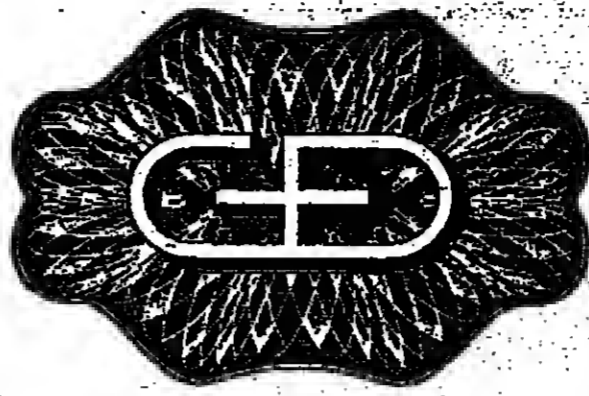
The company, based in Munich, has no press department, nor even a publicity policy as such. Requests for interviews are a matter of board-level discussion - and are usually turned down. Even the front door is hard to find.

So it is slightly less surprising that the three top managers at the company, which produces banknotes for the West German Bundesbank and many other central banks, asked not to be named, when interviewed, amid veiled allusions to security.

Their reticence stems as much from avoiding attention from the gutter press as from potential leaks. Giesecke & Devrient, founded in Leipzig in 1832, is still a family concern, and its owners are not short of cash. One of the managing directors said: "We don't advertise, and we don't look for publicity. There are about 300 customers around the world in our business who matter and they know us."

The customers are a privileged group, and most of them will be assembling for the annual IMF/World Bank meeting in West Berlin later this month. For even in an industry dominated by specialists, Giesecke & Devrient is highly unusual.

De la Rue in the UK and the American Banknote Company in the US are its prime competitors in security printing, while Portals of the UK is a rival when it comes to making banknote paper. However, according to Giesecke & Devrient, no



other company in the world offers the same range of security printing, paper making and - increasingly - card and electronic security services under one corporate roof.

As printers of German banknotes the group has been an almost perfect mirror of the country's turbulent economic development over the past 136 years. Starting with 10 Thaler notes for the Duchy of Altenburg in 1856, the company was soon printing currency for the nascent German Reich and its far flung colonies and later the Weimar Republic.

The Second World War seemed to mark the end of all that. However, the Leipzig works, heavily bombed, would eventually become the base for the German Democratic Republic's state banknote printing operation, while the rump of Giesecke & Devrient moved to Munich, where it gradually re-established itself after 1945.

In 1959 came the first order for banknotes for the newly-created Bundesbank - a task the company still shares exclusively with West Germany's

state-owned Federal Printing Works. West German banknotes had, since the end of the Second World War, been produced by the western occupying powers, not always to the highest standards, and forgery was frequent.

Preventing counterfeiting remains an obsession at Giesecke & Devrient and one of the main reasons for its almost obsessive security-consciousness. Nowadays, the safeguards are principally technological, involving specially-developed engraving and printing techniques as well as unique paper, but picking the right staff and being choosy about one's visitors also helps.

The importance of the paper was grasped early on. Giesecke & Devrient's early banknotes after the Second World War were all printed on imported stock. Only in 1954 did it buy a paper-making plant in upper Bavaria, which it then converted to its special requirements. The group now exports paper to some 50 countries. Yet while traditional bank-

note printing remains the biggest single source of revenue, it has declined somewhat in importance over the years. Giesecke & Devrient, like its international rivals, has not been immune from the increasing tendency, of developing countries in particular, to organize their banknote printing business back home.

One executive said: "Thirty years ago, about 80 per cent of banknotes were provided by private companies. The ratio is probably about 30 per cent state-produced and 70 per cent purchased from the private sector now."

The company has made virtue out of necessity and become a provider of printing and paper-making technology as much as a manufacturer of the finished product. Among its current orders are a paper-making plant - about twice the size of its German operation - for China and others for Poland and South Korea. On the printing side, it is selling facilities to Zaire, Burma, Zimbabwe and Egypt. About half of its total orders come from abroad.

Yet it was not just fears of a decline in its traditional business that prompted the company to buy Giesecke's four Automation Unit Organisations (GAOs), a small Munich-based research outfit, in the early 1970s. With credit cards and automated payments systems all the rage, especially in the US, many thought the days of the banknote were numbered.

Since then, GAO's workforce has risen from 30 to 400 people and it is now the group's research and development arm. Elastic cards are now one of its main pre-occupations and the company is the main producer of smart telephone cards for the German Bundespost as

well as a leading source of laser-printed Eurocheque guarantee cards for Germany and other banks.

However, GAO has also conducted research into developing banknotes which are not only harder to forge but which can more easily be used by a variety of machines from hole-in-the-wall automated tellers to highly sophisticated sorting units for central banks.

Meanwhile, the gradual revival of the German stock market in the mid-1980s has provided a further boost to the traditional security printing side. Along with R. Oldenbourg, another specialist based in Munich, Giesecke & Devrient is Germany's leading printer of share and bond certificates. Rolling off its presses have come certificates for a number of new flotations such as Nordorf, Hugo Boss, Henkel Springer and Porsche.

Total group sales now amount to about DM500m (370m) - up from about DM300m in the late 1970s - while the workforce has grown from 1,500 to around 2,500 in the same period. R&D accounts for more than 10 per cent of turnover.

Yet for all its achievements, gaining hard financial facts about Giesecke & Devrient is almost as difficult as discovering its printing techniques or the still-secret design of Germany's new range of banknotes for the 1990s. Earnings and dividends are not disclosed, nor is much said about the precise shareholder structure.

As the smooth narrator on the video says: "For our friends, we should like to open all our doors. But regretfully..." At Giesecke & Devrient, that wording is apt in more ways than one.

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**SINGAPORE LONDON HONG KONG**

**Marzotto leaps by 43% at midway stage**

By Alan Friedman in Milan

MARZOTTO, Italy's biggest textile and clothing manufacturer, has reported a 43 per cent jump in net profits to 1.28.2bn (821.1m) for the first six months of 1988.

Marzotto's sharp rise in turnover is attributable largely to its acquisition of Lanerossi, the former state-owned yarn and clothing maker, Marzotto, which is 80 per cent owned by the family of Mr Pietro Marzotto, the chairman, has been growing rapidly by acquisition.

When the revenues from newly-acquired companies are stripped out of Marzotto's first-half turnover, the growth rate among existing companies is reduced to 12.5 per cent.

The company expects turnover to total around L1,460bn which would represent a year-on-year rise of nearly 80 per cent. Unlike other leading Italian clothing producers Marzotto has operations that range from raw materials to ready-made clothes.

**Study turns fraud case in VW's favour**

By Haig Simonian in Frankfurt

THE LEGAL battle between Volkswagen, the West German car manufacturer, and the National Bank of Hungary over damages in the DM472m (\$264m) foreign exchange fraud unearthed in March last year has turned in VW's favour after the conclusions of an expert report commissioned by a Frankfurt court.

According to the study by Mr Erwin Blumenthal, a former head of the foreign exchange department at the Bundesbank, the Hungarian bank should have made further inquiries at VW after it had entered into foreign exchange contracts with the company's dealing staff at rates that were well outside market rates.

VW alleges that the contracts were in fact taken out in its name by members of its foreign exchange department in conjunction with Mr Joachim Schmidt, a Frankfurt-based foreign exchange broker. Last

month, two former VW employees, Mr Burkhard Junger and Mr Lutz Quaque, were both ordered to pay the company substantial damages, while investigations against Mr Schmidt are proceeding.

Lawyers acting for the National Bank of Hungary have responded to Mr Blumenthal's conclusions by accusing him of bias.

It is now up to the court, which has been adjourned while the two sides prepare their detailed responses to the report, to decide further on the matter.

Mr Manfred Pilgrim, the head of VW's legal department, yesterday appeared appreciably more optimistic as to the outcome.

Both sides have treated the action as a test case and VW would almost certainly seek further damages from the bank should the court rule in its favour in the present action.

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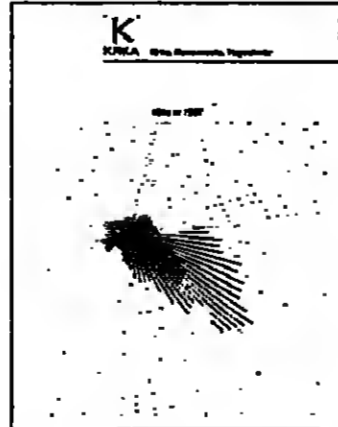
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**Business and joint ventures in Yugoslavia**

Essential reading to bring you up to date with 4 major Yugoslav companies

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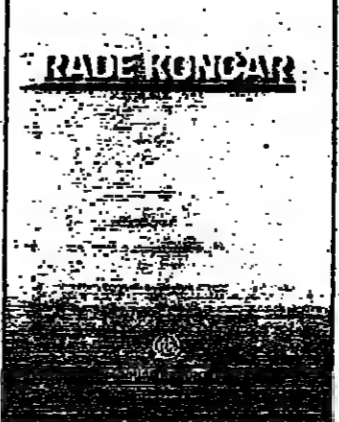
**GENERALEXPORTE** International Trade Company, Belgrade, Yugoslavia. Generalexport is a multifarious enterprise comprising of 16 specialized divisions, and a network of over 70 branches in nearly forty countries worldwide. The company is involved in all kinds of international trade and special transactions, holiday package tours, air transport, hotel and catering services and domestic trade. It is increasingly active in providing civil engineering services for turn-key projects. With a workforce of 5,000 it generates a turnover of more than 6 bn. dollars annually, with a steady growth averaging between 5-7% in each of the past ten years.



**Iskra**

**RADE KONČAR** Rade Končar Electrical Industries and Engineering, Zagreb, is one of the leading Yugoslav exporters of electrical equipment, employing 24,000 in 46 factories. 40% of its total sales are exported to 70 countries. The production programme is largely based on the company's own technical and technological developments, resulting in significant technology transfer and co-operation with partners worldwide. Manufacture includes: electric rotating machinery, hydro and thermo generators of large output, power transformers of all sizes, switching apparatus of all voltages, industrial electronics and computerized process control, and a whole range of electrical products for the most diverse applications.

**KRKA** (4,000 employees), Novo mesto, Yugoslavia, is one of the leading Yugoslav producers of pharmaceutical raw materials, drugs for invest and veterinary use. It is also noted for its chemical and biochemical synthesis, feed additives, processing of medicinal herbs, cosmetics and technological transfers. Krka is also a manufacturer of insulation material and is concerned with health resorts, the hotel industry and tourism. Krka's 1987 total income amounted to 179,175,446,000 dinars and its exports were worth 72.5 million dollars.



**Generalexport**

**ISKRA** Iskra, based in Ljubljana, is the biggest Yugoslav electro-industrial company with more than 100 production plants employing more than 35,000 workers. Its production range covers telecommunications, computers, automation, electro-optics, measurement and control, electronic and electromechanical components and apparatus and consumer products. In all its production plants Iskra is capable of joint ventures both in Yugoslavia and abroad.

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INTERNATIONAL COMPANIES AND FINANCE

# Japanese embark on overseas paper chase

Ian Rodger on investment projects in the newly confident pulp and paper industry

Japan's venerable pulp and paper industry is on the move. In the past two years, Japanese companies have launched six large overseas investment projects and, according to industry officials, more are on the way.

For the most part, these projects are in the traditional Japanese industrial style, aimed at securing raw or semi-processed materials abroad for finishing and sale in the home market.

The country imports more than 40 per cent of its pulpwood and 20 per cent of its pulp, and if domestic demand continues growing rapidly, will have to increase rapidly. Also, because of the rise in the yen's value, the pulp and low-value paper products made in Japan are losing their competitive edge.

However, with the Cassim (US\$613m) purchase in June of the North American paper interests of Reed International of the UK, Daishowa Paper is buying an existing business with existing markets. Neither raw materials nor products will be shipped from the Reed properties to Japan.

It is still too early to tell whether this is the beginning of a trend. Some analysts have visions of Japanese paper companies buying up North American rivals with the same zeal that European cement companies bought US cement groups a few years ago.

Certainly, they now have the means to do it, thanks to the high yen and a recent surge in profits.

But Japanese paper industry officials point out that Daishowa, Japan's second largest paper company, is something

of a special case within the industry, being family controlled and inclined to aggressive management.

Even if others do not follow Daishowa's lead, its moves, reflect a new mood of confidence in the industry as a whole. The paper industry had been in the doldrums for so long it had become known as a low-margin industry.

Its problems began in the 1970s when companies had to invest heavily to keep up with surging demand arising from Japan's rapid economic growth. "Every mill concentrated only on the expansion of production, not profit," an industry official said.

Also, as paper was not a priority industry compared with, say, steel and shipbuilding, the industry had to pay relatively high prices for its capital.

Then there was the sudden switch in the mid-1970s when the first oil shock caused raw material costs to soar and demand to fall until the early 1980s. In 1982, the average pre-tax margin of the 13 leading companies in the sector was just over 2 per cent.

Since then profits have soared. Last year, pre-tax profits of Oji Paper, the industry leader, jumped 27 per cent to ¥131.9bn (US\$1.7m) and the company enjoyed a profit margin of 8.2 per cent. Daishowa's pre-tax profits were up 9 per cent

to ¥145bn and those of Jujo Paper, the number three company by sales, rose 19 per cent to ¥19.1bn.

Virtually all the industry's prosperity is due to domestic demand. Japan is not a significant exporter of paper or paper products. Less than 4 per cent of the industry's output is exported, and no one expects this to change much.

However, the strengths of the domestic market and of the overseas expansion plans with a view to heading off intensified competition in the Japanese market from foreign companies. Among the main acquisitions to date:

- In November 1986, Kamzaki purchased a US thermal paper plant in Massachusetts from Laidlow for \$10m. It is now investing \$40m for a fourfold capacity expansion, thanks to the boom in facsimile machines in the US market.

# Eastern Air to go ahead with 4,000 dismissals

By Anatole Kaletsky in New York

EASTERN AIR LINES, fresh from a victory in its latest legal skirmish against its unions, said it would go ahead with the 4,000 dismissals which it was prevented from carrying out by an earlier court decision, delivered in Washington last week.

The struggling carrier, one of the two main operating subsidiaries of Texas Air, the biggest US airline company, had announced almost two months ago that it intended to sack 4,000 of its employees, cancel more than 10 per cent of its daily flight schedule and close its big route hub and regional operations centre in Kansas City.

These actions were suspended, however, when a Federal court in Washington issued a series of injunctions, responding to a union suit which charged the airline with violating the *status quo* provisions of the Railway Labour Act.

This law, which governs labour relations in all US transport industries, requires unions and management to bargain in good faith and not to take disruptive actions while negotiations are in progress.

Last week, Federal District Judge Barrington Parker held that the Railway Labour Act prevented Eastern from dis-

## UK BANKING

The Financial Times proposes to publish this survey on:

26th September

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FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

**'We feel welcomed by local people. We think that they expect we will make more investments and help them make higher profits'**

At the moment, imports of paper and paperboard are still small. Last year they amounted to 888,094 tonnes - 8.8 per cent of consumption - but Japanese industry leaders say they would be rising rapidly if demand were not very strong elsewhere in the world.

Mr Toshiko Kawamura, president of Kamzaki Paper, a medium-sized company, says: "If demand cools down abroad, there will be a flood of imports into Japan."

Mr Yoichi Okumura, general manager of Kamzaki's planning division, says Japanese mills will have to shift to higher value products. "It is just like what happened to the British mills a few years ago, when the pound rose and they could not compete with Scandinavian mills."

Thus the companies have been accelerating their own

expansion plans with a view to heading off intensified competition in the Japanese market from foreign companies. Among the main acquisitions to date:

- The following month, Setsum, a paperboard maker, invested \$2.2m for a 21.5 per cent interest in a Caruaru Industries venture in Georgia to make box board from recycled paper.
- In February this year, Daishowa acquired a printing paper plant in Washington state from James River of Virginia for \$78m. It plans to make telephone directory paper there.
- In June, Daishowa acquired the North American assets of Reed International, mainly a newspaper mill in Quebec.
- In July, Setsum bought a 9.6 per cent equity stake in USG, the Chicago building products group, although Setsum says its investment is passive.

In addition, there are a number of new projects under way or under discussion.

- Japan Brazil Paper and Pulp Resources Development, a joint venture involving 18 Japanese companies that began producing pulp in 1978, has just

announced a \$500m expansion.

- Oji Paper has set up a joint venture in Canada - Howe Sound Pulp and Paper - with Canfor, a Canadian group, to take over a Canfor pulp mill with a view to expanding production by 60 per cent to 350,000 tonnes by 1990.
- A number of Japanese companies are in discussion with North Broken Hill in Australia to develop a new pulp mill at Wesleyvale in Tasmania.
- Daishowa Canada is investing \$500m in a huge project in Alberta, Canada to build a bleached kraft pulp mill to support its printing paper plants in Japan.

Japanese paper industry officials detect three new trends in these projects.

Firstly, they say that in the past Japanese companies tended to be content with minority positions in overseas ventures. Now they are taking the lead.

Secondly, the scale of the projects is much larger than for those in the past and, finally, overseas expansion is in low-value products.

The Daishowa acquisitions and the Kamzaki thermal paper investment are more interesting, representing an undisciplined desire to expand abroad for its own sake. As in many other industrial sectors, the Japanese suspect that even though they use much the same equipment and technology as their overseas rivals, they manage their mills better.

"We feel welcomed by the local people. We think that they expect that we will make more investments and help them make higher profits," a Daishowa official says.

State reduces holding in Jamaica telecoms group

By Canute James in Kingston

FOURTEEN Jamaican companies have agreed to underwrite an offer by the island's Government of 13 per cent of the shares of Telecommunications of Jamaica, in which Cable and Wireless of the UK has a 39 per cent interest.

The offer involves 105.4m shares which are being sold for \$16.85m. It will reduce the Government's stake in the company to 40 per cent, putting the majority of the assets in private hands.

Telecommunications of Jamaica is a holding company for the island's telephone and external communications companies. The sale is part of a programme to divest state property.

The island's only cement company and half of its largest private bank have already been divested.

The 14 companies, which include commercial banks, building societies and insurance firms, have also agreed to buy a half of the shares being offered in Telecommunications of Jamaica.

# Husky signs deal to build \$1.3bn upgrading plant

By David Owen in Toronto

HUSKY OIL, controlled by Canada's Nova Corp in conjunction with Mr Li Kashing, the Hong Kong financier, has signed an agreement with the governments of Canada and its Alberta and Saskatchewan provinces to build a \$1.3bn (US\$1.65bn) crude oil upgrader near Lloydminster on the Alberta-Saskatchewan border.

The 46,000 b/d plant will convert heavy oil and bitumen into a synthetic crude oil

# SCA in newsprint mill venture

By Sara Webb in Stockholm

SCA, ONE of the leading Swedish forestry groups, and Cellulose du Pin, a subsidiary of the French St-Gobain group, are to set up a jointly-owned newsprint mill costing up to FF2bn (US\$1.9m).

The new mill, which will have an annual production capacity of 210,000 tons, is due to start operating in 1990. It will be built in south-west France and will supply the southern European markets.

SCA expects to own about a third of the share capital in the new concern, although details

have not been finalised.

The deal enables SCA to produce newsprint outside Sweden for the important EC markets while allowing Cellulose du Pin, the leading company in the French paper industry with annual sales of FF8.5bn, to begin newsprint production.


SCA has the capacity to produce about 600,000 tons of newsprint at its Swedish plant but plans to convert 110,000 tons of this newsprint capacity to lightweight coated (LWC) paper production by 1990. LWC is a higher value-added product.

The Swedish group said because it was losing newsprint capacity in Sweden, it needed to compensate on the Continent.

SCA plant will supply the Nordic countries and northern Europe.

Cellulose du Pin is supplying the pine for the newsprint production while SCA is contributing technology and marketing organisation.

This announcement appears as a matter of record only August 1988



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July 22, 1988

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**FINANCIAL TIMES**  
EUROPE'S BUSINESS NEWSPAPER

To the holders of **Mortgage Capital Trust I**  
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INTERNATIONAL CAPITAL MARKETS

France leads the EC mutual funds race
George Graham looks at the impact of a single European market on unit trusts

France's Sicavs have passed the milestone of FF1,000bn (€158.4bn), underlining their position as by far the largest unit trust industry in Europe.

At the end of July, according to the financial statistics specialist TGF, the 698 French Sicavs - Sociétés d'Investissement à Capital Variable - have managed to raise a total of FF1,008.5bn.



Daniel Lebegue: 'EC tax needs to be harmonised'

company as an adjunct to an insurance contract. This may strengthen French fund managers against inroads from foreign groups after October 1989.

held at least 40 per cent of their portfolio in listed securities must go, to enable the creation of real money market funds.

Mortgage lenders pump life into Labor Day

By Our Euromarkets Staff
TWO UNUSUAL issues for mortgage lenders yesterday broke the Labor Day tedium as it spread across the Atlantic.

The borrower is a sole-purpose company established by Royal Trustco of Canada for its issue of C\$120m in mortgage-backed notes issued by a Royal Trustco affiliate.

Also, the temporary embargo in equity warrant bonds was broken with the launch of two new deals.

Seats offered on Dublin market

By Our Euromarkets Correspondent
THE EUROPEAN Mercantile Exchange, which plans to establish a futures market in Dublin opening next May, said yesterday it was offering for sale 200 seats on the exchange.

Japan poised for half-year issues record

By Stefan Wagstyl in Tokyo
JAPANESE companies are set to raise a record ¥6,478bn (\$47.7bn) in new equity and convertible bonds in the financial half-year which ends this month.

Equity issues for the first-half of the 1988 financial year, which runs to next March, are expected to total ¥1,895bn, almost as much as the ¥1,973bn raised in the whole of the year to last March, according to a survey of 30 Japanese securities brokers.

Convertible bonds are forecast to total ¥4,583bn, 79.6 per cent more than for the same period last year. Financial companies raising funds to boost their balance sheets account for just under half the issues.

Air India hopes to fly into the black

By R.C. Murthy in Bombay
AIR INDIA, the country's flag carrier, hopes to return to profit this year after being in the red for the past two years.

FT INTERNATIONAL BOND SERVICE

Table listing international bonds with columns for Country, Issue, Maturity, and Yield. Includes entries for US Dollars, Yen, and various international currencies.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday 5 September 1988. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Large table of world currencies with columns for Country, Unit, and Exchange Rate against US\$, DM, Yen, and Sfr.

Abbreviations: (a) Buying rate; (b) Selling rate; (c) Commercial rate; (d) Essential imports; (e) Financial rates; (f) Export; (g) Non-commercial rate; (h) Business rate; (i) Official rate; (j) Lumpy goods; (k) Market rate; (l) Official rate; (m) Preferential rate; (n) Commercial rate; (o) Parallel rate; (p) Selling rate; (q) Tourist rate; (r) Some data supplied by Reuters, Euromarkets, Euromarkets Department, London Trading Centre, Euromarkets, 1, 654-4360/5. Monday 5 September 1988. Exchange Official Rate Deviated by 50%. Rounded Deviated by 15%.

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INTERNATIONAL COMPANIES AND FINANCE

## Boral to maintain pace of acquisitions and shows 17% rise

By Bruce Jacques in Sydney

BORAL, the Australian building products group, has signalled the maintenance of its rapid pace of acquisitions in spite of apparently modest growth in underlying earnings in the latest June year.

Net profits rose 17 per cent to A\$208.6m (\$165.5m) from A\$178.1m in the period on an almost identical percentage boost in revenue to A\$2.5bn from A\$2.4bn.

Boral is raising the fully-franked annual dividend to 19.5 cents a share from 18 cents and is making its first bonus issue in five years, in a one-for-five ratio. The company has also announced a one-for-eight rights issue at A\$0.15 each to follow the bonus and raise A\$26.5m.

A large portion of funds from the issue is earmarked for another expansion announced by the group yesterday - acquisition of the 26 per cent stake in Blue Circle Southern Cement which it does not currently control from Adelaide Brighton Cement Holdings for A\$146.6m.

The purchase means Boral is off to an acquisitive start to the current year after spending more than A\$100m on a string of small purchases in the latest year. It has already spent A\$45m since balance date acquiring the brick, block and paver assets of the Calad group.

The rights issue will be underwritten by the AMP Society, a leading Boral shareholder. Boral's selection of the AMP offers some insulation against a large shortfall in the issue on any sudden market collapse.

It reflects a lesson learned by the company last year when it launched an unsuccessful issue

just before the October share crash. Boral shares closed 11 cents higher at A\$4.91 yesterday, but were ahead 20 cents before the share issue was announced.

The rapid pace of acquisitions pushed up the group's interest bill another 31.3 per cent to A\$66.9m and was an obvious brake on earnings growth. The directors did not give an earnings breakdown, but it appears that without the cut in Australia's corporate tax rate from 49 per cent to 39 per cent and last year's A\$500m-plus Blue Circle Southern acquisition, annual earnings may have fallen by 10 per cent.

The national tax cut saved the company a net A\$15m on a tax bill which rose from A\$144.9m to A\$163.7m. Funding of the Blue Circle acquisition was a significant contributor to the company's higher interest bill.

Some analysts saw the result as dull, given that home approvals boomed in the period and that the company also benefited from biennial and tourism projects.

Boral indicated that one trouble-spot was the US roof tile and clay brick operations, where housing starts dropped heavily. UK operations earned higher profits, but Australian dollar earnings from both important overseas markets were cut by a firming local currency.

The result followed depreciation of A\$99.2m (A\$69.4m previously) and the company earned a A\$27.1m extraordinary profit, compared with a A\$260.1m loss last year, reflecting write-off of goodwill on the Blue Circle purchase. Under new accounting standards, goodwill is now being amortised over 20 years.

## TNT ahead despite associates fall

By Our Sydney Correspondent

TNT, Australia's largest private-sector transport company, overcame a big fall in the contribution from associates' operations to record a 35.4 per cent rise in equity-accounted earnings for the June year to A\$206.6m (\$163.5m) from A\$152.8m.

The result disguised an even more buoyant underlying trend from the company's mainstream operations, which jumped 124.5 per cent to A\$169.9m.

The equity contribution from associates, so often the mainstay of TNT's earnings, was more than halved, from A\$78.9m to A\$36.7m.

The decline reflected some hiccups in the performance of the half-owned Ansett and East-West/Skywest airline operations.

Directors did not give a detailed breakdown, but said Ansett had been affected by a price war and that East-West/Skywest was still undergoing rationalisation. They said East-West/Skywest, however, had produced a reduced loss.

The company is joining the bonus share rush by Australian companies with a free one-for-five issue on which the directors have pledged to maintain the latest annual payout of 15 cents a share.

They said the strongest trading areas were Australian general transport operations, TNT Shipping and Development, TNT Express UK, TNT Traco in Italy and TNT Holland in the US.

The directors said: "While there were some weak areas, including New Zealand, where industry conditions worsened considerably, and some shipping activities, further rationalisation in many areas, together with new ventures and investments, will ensure continued growth in revenue and earnings of the TNT group worldwide."

The result came on revenues up 19 per cent to A\$3.7bn. It excluded a A\$19.7m extraordinary gain reflecting some big underlying movements. The company previously reported a loss of A\$6.1m.

The rise came from changed accounting treatment of exchange movements, which netted a A\$10.4m gain against a loss of A\$8.9m previously.

The extraordinary rise also included A\$60.6m profit from associated companies, compared with a A\$15.7m loss previously.

The group's interest bill jumped from A\$102.2m to A\$142.4m and depreciation was up from A\$81.1m to A\$102.7m.

## Bond sells Bell's stake in publisher

By Terry Hall in Wellington and Bruce Jacques in Sydney

MR ALAN BOND'S Bond Corporation yesterday began to shed assets of Bell Group, Mr Robert Holmes à Court's former flagship, just days after taking formal control.

Bond sold Bell's 10.6 per cent stake in Wilson and Horton, publisher of the 250,000 circulation New Zealand Herald, for NZ\$42.7m (\$25.5m).

The price of NZ\$5.75 per share compares with a ruling market level of NZ\$6.10, but represents a bigger discount on Bell's average entry price last year of NZ\$10.55. This suggests a loss of more than NZ\$35m on the deal before holding costs.

The parcel was believed to have been picked up by friends and business associates of the controlling Horton family.

Independent Newspapers, New Zealand's biggest newspaper group - 40 per cent owned by Mr Rupert Murdoch's news empire - was also thought to be interested.

However, it has just received approval to buy the evening Auckland Star and might have run into Commerce Commission resistance.

## Sekisui House lifts pre-tax revenue by 75%

SEKISUI HOUSE, Japan's leading homebuilder, showed a 75 per cent jump in pre-tax profits to Y26.7bn (\$186.4m) in the first half to July, AF-DJ reports from Tokyo.

Sales grew 27.5 per cent to Y37bn.

Sekisui, known for its prefabricated houses, lifted revenues from housing construction 34.3 per cent to Y263.8bn while property sales totalled Y73.2bn, up 5.5 per cent.

The company plans to pay a Y10.6 interim dividend, up from Y9. Net earnings per share stood at Y24.51, up from Y18.6.

Sekisui officials estimated sales for the full year to January at Y720bn against Y665bn.

They forecast pre-tax annual profits at Y52bn, up from Y35.8bn.

## Asia Securities posts 180% rise in profits

ASIA SECURITIES International, the 20-month-old Hong Kong property development company controlled by Mr Bill Wylie, boosted net profits 180 per cent to HK\$98.2m (\$12.6m) in the six months to June and expects an only marginally smaller increase for the whole of 1988, writes John Elliott in Hong Kong.

Mr Wylie, the Australian financier who ran the Hong Kong-based BSR International electronics group until two months ago, said yesterday that more than 70 per cent of the profits of Asia Securities had come from property trading.

The company was set up in January last year and has cashed in on Hong Kong's current property boom.

Turnover rose to HK\$218.5m from HK\$144.5m with the takeover of Wah Kwong Properties.

## Ampol announces output plan after revenue rise

By Our Sydney Correspondent

SIR TRISTAN Antico, chairman of Ampol Exploration, yesterday announced an ambitious five-year plan to transform the company into one of Australia's leading oil producers following a rise in net profits to A\$20.1m (\$16.4m) for the year to June from A\$11.6m.

Sir Tristan said the company, which spent A\$341m on acquisitions during the year - A\$290m of it on acquiring the Papua New Guinea and US operations of the related Pioneer Concrete group - aimed to double its oil output to more than 5m barrels a year.

Ampol, which now operates as the petroleum arm of Pioneer, lifted crude oil production during the year from 2.1m to 2.4m b/y, largely reflecting contributions from Timor Sea wells acquired from Pioneer. Sir Tristan said Ampol had participated in 80 wells during the year and would have a share in more than 400 over the next five years.

He said: "Ampol intends making substantial acquisitions over this period which will complement the expected growth in the group's production. The programme will be funded from net operating revenue."

This suggests substantial reinvestment of profits and Ampol demonstrated the impli-

cations yesterday by passing the dividend for the year. Sir Tristan said the latest result reflected higher production, but warned that weakening crude prices could hit current-year earnings.

The result followed a revenue rise from A\$53.5m to A\$59.5m and excluded a A\$9.1m extraordinary gain (all previously).

Pan Australian Mining, one of Australia's fastest-emerging gold producers, has earned a net profit of A\$33.2m from its first full year of operation at the lucrative Mount Leyshon gold mine in Queensland.

The previous year's A\$4.2m reflected only 4 1/2 months of operation at Mount Leyshon.

Mr Bob Bryan, managing director, said gold production in the latest year was 91,400 oz, lifting revenue 515 per cent to A\$62.5m and making the group Australia's seventh largest gold producer.

The company achieved an average gold price of A\$678 an ounce, in the year through aggressive forward selling and a floor price of A\$620 an ounce had been placed under all current-year production against a current market price of A\$540 an ounce.

Mr Bryan said: "By March 1989, gold production will be approaching a rate of 160,000 oz per year."

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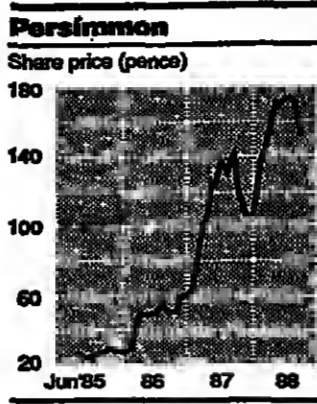
UK COMPANY NEWS

Rumours of bid setback depresses Barker shares

By Nikki Tait
SHARES IN Charles Barker, advertising, public relations and recruitment group, fell a further 2p to 158p yesterday, amid speculation that talks with a prospective suitor - widely believed to be WPP Group - had hit a serious hitch.
Yesterday, the only comment came from Charles Barker's chairman, Mr David Norman. "The discussions with the particular party which we announced last month are still in progress," he said. "We will make an announcement in due course."

Interim dividend doubled and same planned for final Persimmon advances to £13.2m and analysts expect £28m for year

By Andrew Hill
PERSIMMON increased taxable profits to £13.2m in the first half of 1988, compared with £4.78m in the equivalent period last year and £12.6m in the whole of 1987.
The housebuilder believes house prices may level off soon, although it said its strategy of buying land at prices linked to property values at the time of the purchase should help maintain margins.
Mr Duncan Davidson, chairman, said yesterday. "We have not yet seen evidence of sales falling off in any of our operating areas, but a levelling off in selling prices would be a good thing for the industry."



Persimmon Share price (pence)
Jun85 86 87 88
helped reduce gearing from about 53 per cent at the end of 1987, to 20 per cent.

USH backs out of Varo takeover battle

By Clay Harris
UNITED SCIENTIFIC Holdings, the defence equipment group, yesterday abandoned its six-month pursuit of Varo and said it would accept a rival takeover offer for its 9.9 per cent stake in the Texas-based manufacturer of night-vision devices.
USH's withdrawal leaves the field open for IMO-Delaval, another US group, to carry off Varo with a \$112m (\$86.42m) bid which was recommended by the target company last month. USH expects to make a profit of \$2m to \$8m after bid costs on the disposal of its Varo shares.

Rockwood pays £17m for freight forwarders

By Nikki Tait
ROCKWOOD HOLDINGS, USM-quoted distribution and related services business, yesterday announced that it was acquiring Mercury Airfreight Holdings, a freight forwarding operation, for £18.6m.
At the same time, a second, but substantially smaller, freight forwarding operation, Dawson Royle & Willan, is being purchased for £413,000.
Rockwood is being built out of the former H.B. Electronic Components "shell" by Mr Tom Forrest and Mr Brian O'Connor.
Mercury, based near Heathrow Airport, concentrates on general airfreight forwarding. It also has smaller interests in surface freight forwarding, bulk mail and newspaper distribution and road haulage.

Expanding Aspen 58% ahead at £2.4m

By Andrew Hill
ASPEN COMMUNICATIONS, a corporate video, media, mobile communications and specialist printing company, increased pre-tax profits by 58 per cent to £2.35m in the six months to June 30, against £1.49m in the equivalent period.
Turnover rose 43 per cent to £16.2m (£11.3m) and earnings per share went up from 9.5p to 15.5p. An interim dividend of 2p (1.6p) was declared.
The results include a six-month contribution from Edit Art, a video post-production company acquired in December, although the purchase was only announced in March. This boosted sales and profits from the corporate communications division.

Bunzl sells minerals division

BUNZL, the paper and plastic group reporting its interim figures today, has disposed of its minerals division for £2.75m.
The company said that although its minerals businesses were profitable and growing, they could not be considered core activities and could better be developed elsewhere.
The division encompasses Microfine Minerals and Chemicals and Dupre Vermiculite. Bunzl acquired 50 per cent interests in both in 1983 when it bought Transparent Paper. They became wholly-owned subsidiaries in 1986.
The companies are being bought by the UK arm of Frank & Schulte, the international ores, minerals and alloys trading division of Stinnes, the German group.

Strong housing demand lifts Edmond to £1.91m

MR ANDREW Nash, chairman of Hull-based housebuilder Edmond Holdings, yesterday reported a surge in first half profits from £314,000 to £1.91m at the pre-tax level.
He said the results had been achieved by obtaining budgeted sales, helped by a strong demand for houses in all areas.
During the period land stocks had been substantially increased and now totalled more than 1,500 plots, excluding options and land zoned for development. As a result,

Southend Property growing

By Reg Vaughan
MR MALCOLM DAGUL, chairman of Southend Property Holdings, said yesterday that the property company, which used to be called Southend Stadium, has realised over £50m from the sale of properties since the beginning of the current year.
Reporting this in the group's annual accounts Mr Dagul said that the proceeds had been used to reduce borrowings substantially. At March 31 1988 the group had bank loans falling due within one year of £29.8m bank loans falling due after more than one year of £35m and in addition had loans and overdrafts of £36m.
For the 15 months ended March 31 1988 the group showed pre-tax profits of £4.35m, compared with £208,874 in the previous year. Mr Dagul said that the

Handley Walker makes strong start

Handley-Walker, management consultancy, reported an excellent start to 1988 with strong organic growth in core businesses. Mr Peter Smith, chairman, said that with sustained order intake and good cash flow the group was in a very satisfactory position.
Turnover, boosted by acquisitions, increased in the first half of 1988 to £4.51m (£2.85m) for pre-tax profits of £377,000 (£251,000).
Earnings per 5p share were 6.5p (4p) and an initial interim dividend of 1.8p is being paid.

Kenyon Secs expands further into N. Ireland

By Andrew Hill
KENYON SECURITIES, USM-quoted financial director, has acquired four further directors for a total of £1.1m in cash.
Three of the businesses are based near Belfast - in Dungannon, Portadown and Banbridge. The fourth is in north London.
In May, Kenyon, one of three financial directors on the USM, bought James Brown & Sons (Belfast) as part of its policy of expanding in Northern Ireland.
In the year to March 31, acquisitions helped boost Kenyon's profits from £254,506 to £1.63m before tax.
The company is 29.3 per cent owned by French funeral director, Pompes Funèbres Générales, a subsidiary of Lyonnaise des Eaux.

Executex Clothes rises to £374,000 half-way

EKEXUTEX CLOTHES, clothing manufacturer, achieved a 21 per cent rise in pre-tax profits for the first half of 1988. Profits were £374,000, as against £309,400, and they were struck on turnover increased 17 per cent from £3.17m to £3.73m.
Trading profit in the UK was up 17 per cent to £350,600 (£468,000), while losses in the US subsidiary fell to £82,000 (£97,800). Earnings per 20p share were raised to 5.88p (£5.89p) and the interim dividend was lifted to 1.5p (1.25p adjusted).
Mr John Luper, chairman, said that, provided the company maintained its present momentum, then the growth achieved in recent years would also be maintained. He added that prospects for the remainder of the year remained good.

Wereldhave defends revised bid terms

By Nikki Tait
WERELDHAVE, the Dutch property group which claimed control of Peachey Property Corporation after raising its hostile offer to £282m last week, argues in its revised bid document that the new terms take full account of the latest valuation and prospects.
Peachey's estimated net asset valuation was calculated to rise from 62p a share on June 24 to 67p on August 24, ident 5.3p, payable September 28.
IBSTOCK JOHNSEN: Companhia De Celulose Do Caíma, group's Portuguese subsidiary, reported turnover up from £5.42m to £5.62m (£2.46m) and taxable profits of £5.22m (£5.17m) for six months to end-June. Earnings £5.45p per share (£5.317p) and interim dividend £5.26 (£5.225).
JOVE INVESTMENT TRUST: net asset value per capital share as at August 31 1988 was 84.7p.
PALMERSTON HOLDINGS has acquired three buildings for £13.7m. Two are office buildings in south London. In Watford it has bought jointly with Audit and General Holdings, the Penfold Industrial Estate, which consists of more than 100,000 sq ft of multi-let industrial space.

Expansion at Robert Horne

Robert Horne, a paper merchandising group, is acquiring two companies in the office products field. It is buying Harris Penfolds, which trades as Harris National Stationers, for £2.5m and BeeGee Stationery and Filing for £280,000.
The acquisitions are the first by Robert Horne in this field but further expansion is likely to follow. The two acquired companies have combined turnover of around £10m.

Camford Eng stake

Markheath Securities, UK vehicle and Australian entrepreneur Mr John Spalvin, has increased its stake in Camford Engineering to 10.1 per cent. Markheath began building its stake earlier this year. The companies have not held talks.

COMPANY NEWS IN BRIEF
AMBROSE INVESTMENT Trust: At August 31 approximate asset value per capital share stood at 89.37p.
CLAREMONT (UK): Rights issue accepted in respect of 9.96m new ordinary, representing 50.51 per cent. Balance to be allotted to sub-underwriters.
DANA INVESTMENT TRUST: net asset value per capital share at August 31 1988 was 85.95p.
GT BERRY JAPAN FUND: Dividend 5.3p, payable September 28.

COMPANY NEWS IN BRIEF (continued)
STONEHILL HOLDINGS: Due to postal delays, offer to qualifying shareholders of up to 3.2m shares, originally due to close on August 5, has been extended until 3 pm on September 12.
WAVELEY CAMERON has extended the loan note option in its recommended offer for Ronald Martin Groom until 3pm on September 13 in view of the industrial action affecting the postal service.

Rank America Inc. U.S. \$150,000,000 Senior Notes Due 2000. Guaranteed by The Rank Organisation Plc. Lead investor and majority Note purchaser. The Prudential Insurance Company of America. PIC Capital Group London. July 1988

U.K. Shoe Group Limited (A new company formed by the management of Ward White U.K. Footwear and Safety Limited and Funds advised by Schroder Ventures) has acquired Ward White U.K. Footwear and Safety Limited from Ward White Group plc. Subordinated Mezzanine Debt provided by The Prudential Insurance Company of America. PIC Capital Group London. May 1988

DIVIDENDS ANNOUNCED table with columns: Company, Current payment, Date of payment, Corres. pending dividend, Total for year, Total last year. Includes ASBA Property, Aspen Comm, Dugan Motors, Edmond Holdings, Executex Clothes, Goodhead Group, Handley-Walker, Hepson Publish, Llewellyn, Pkwick Group, Persimmon, Perkins Group. BOARD MEETINGS table with columns: Company, Date, Agenda items.

**UK COMPANY NEWS**

**Goodhead jumps 82% to £3.56m**

By Phillip Coggan

**GOODHEAD PRINT** Group, free-newspaper publisher and printer, yesterday revealed an 82 per cent jump to £3.56m in pre-tax profits for the year to May 31, despite a flat performance from the printing division.

Printing profits of £1.94m (£1.82m), were held back by the installation of a new Goss Tribune press at the Bristol works. However, the press has expanded the group's printing capacity by 35 per cent and benefits should flow through to profits this year.

Now that the printing division contributes just 50 per

cent of pre-tax profits, the company has decided to shorten its name to Goodhead Group. It is also moving from the USM, which it joined in 1985, to the main market.

The publishing division, which takes in 23 free newspaper titles, was responsible for the greatest improvement, increasing profits from £493,000 to £1.29m.

The results included a nine months contribution from Company Publicity, a design group acquired during the year. The newly formed design division made profits of £253,000.

Turnover amounted to £43m (£35m). Operating profits were £4.14m (£2.78m) and net interest payable was £272,000 (£788,000). After tax of £1,05m (£528,000), fully diluted earnings per share worked through at 14.8p (11.8p). The directors are recommending a final dividend of 3p (2.5p), making a total of 4.5p (3.75p).

**COMMENT**

These figures show the wisdom of Goodhead's decision to diversify into publishing - without the free newspapers, these figures would have looked mediocre. There is no

sign, as yet, of the advertising-inspired free-newspaper boom grinding to a halt; however, the government's attempts to dampen consumer demand might do the trick. If it does, Goodhead's timing will have been immaculate; following the installation of the new press, it is the printing division that will be setting the pace this year. Add in a full year from Company Publicity and Goodhead should make around £4.8m pre-tax. After yesterday's 4p rise in the share price to 280p, that puts the shares on a prospective p/e of around 12.5; not expensive for a company with a sound growth record.

**Quicks sees further rise in second half**

By Clay Harris

**QUICKS GROUP**, Manchester-based Ford, Iveco, Ford and Peugeot Talbot vehicle and parts distributor, lifted taxable profits by 10 per cent in the six months to end-June.

The pre-tax outcome, up from £1.55m to £1.71m, was posted on turnover of £77.03m (£71.93m) and Mr Tim Worral, managing director, said he expected the second six months to show a steady improvement over the corresponding period last year.

Earnings per 10p share declined to 3.5p (11.21p) reflecting an increased tax charge of £420,000 (£260,000) and the increased share capital following last year's rights issue.

The directors, however, set the interim dividend at 1.5p - a 71 per cent increase - and to align the two payments more closely intend to raise the final to 3.5p. Last year Quicks paid an adjusted final dividend of 3.125p.

**Assoc Nursing expands**

By Clay Harris

**ASSOCIATED NURSING SERVICES**, a USM-quoted owner and manager of homes for the elderly, has bought three more nursing homes for a total consideration of £4.75m, including assumed debts.

The acquisition of the homes in Cheltenham, Newbury and Devizes owned by Dalecare

brings to 10 the number of facilities owned and operated by ANS. The group will now provide 486 beds with a further 30 under construction.

ANS, which was created under the Business Expansion Scheme, joined the USM through a placing in March.

**R & J Emmet advances 27%**

**R & J Emmet**, which joined the USM in May, increased taxable profits by 27 per cent in the six months to June 30. The advance from £308,000 to £390,000 (£333,000) was achieved on sales up 40 per cent from £1.85m to £2.59m.

The company makes and markets an Irish cream liqueur under the brand name Emmets - its main market is the US.

After tax of £8,000 (nil) earnings worked out at 3.14p (2.95p).

**Pickwick boosts profits to £741,000**

By Vanessa Houlder

**NEW PRODUCTS** - such as GCSE crammer courses, Mills & Bona romances and Cook-Along with Keith Floyd - helped Pickwick Group, distributor of records, cassettes and videos, boost pre-tax profits from £592,000 to £741,000 for the first six months of 1988.

Turnover increased by 38 per cent to £14.5m (£10.5m). The slight decline in net margins from 5.6 to 5.1 per cent was due to increased advertising costs, a capital expenditure programme, and a change in product mix which increased the

video operations from 40 to 53 per cent of sales.

Mr Ivor Schlosberg, chief executive, said that, given the seasonal bias towards the second half, the group would again register margins of about 10 per cent for the full year. With the expanded infrastructure in place, he anticipated continuing progress in the second half of the year.

As part of the group's expansion programme, it has spent £1.5m on its production, packaging and distribution network. It has expanded its com-

puter operation, invested in new packaging machinery, built a mechanised video warehouse and set up a video production and sound studio in partnership with Ladybird Books.

New products for the second half of the year include Ladybird videos and Sticker-Tale - an educational book and cassette pack.

The acquisition of Old Gold Records, bought for an initial £800,000, had recently been completed, with benefits that should flow through over the

next few months, said Mr Schlosberg.

Mr Schlosberg said that he welcomed the 21.2 per cent stake taken in July by Pearson, the publishing conglomerate with interests that include the Financial Times, Penguin and Longman. He envisaged that, from next year, Pickwick would expand in Australasia, Canada and the US with the help of Pearson's overseas networks.

Earnings per share increased by 25 per cent to 2.18p (1.74p). An interim dividend of 1p (0.8p) has been declared.

**SHARE STAKES**

The following changes in share stakes were announced recently:

**AC HOLDINGS**: Bank of New Zealand has by virtue of a deed of mortgage acquired an interest in 631,293 shares registered in the name of Phantom Holdings.

**ASSOCIATED BRITISH FORKS**: Shares held in discretionary investment portfolios managed by, or on advice from Mercury Asset Management increased to 19.34m (22.06 per cent).

**BENLOX HOLDINGS**: Dr Ashraf Marwan is beneficial owner of 4.43m shares (10.17 per cent).

**BRITISH BLOODSTOCK**: Agency: Grant Logic has interest in 210,000 shares (5.95 per cent).

**EASTBOURNE WATER**: Equity and Law Life Assurance Society purchased 16,879 4.9 per cent consolidated ordinary stock and holds 116,679 (23.32 per cent of voting stock).

**GT VENTURE** Investment: Changes in client holdings resulted in the aggregate of the holding of GT Management and its subsidiaries and discretionary managed clients being reduced from 30.82 per cent to 28.54 per cent.

**GIBBS MEW**: IEP Securities, wholly-owned subsidiary of Industrial Equity (Pacific) purchased 30,000 shares and holds 365,000 (6.61 per cent).

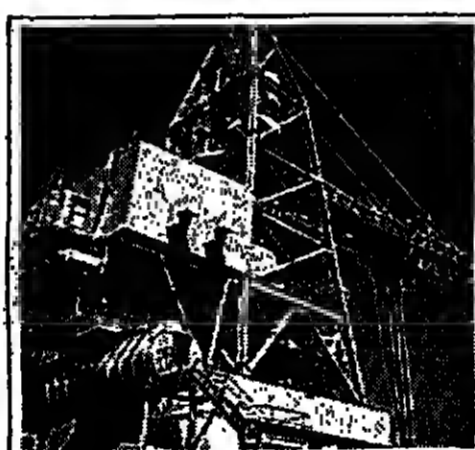
**MARCH GROUP**: Mr M Shaw, director, sold entire family holding of 170,200 shares at 75p apiece.

**MARLING INDUSTRIES**: Prudential Corporation increased interest to 1.25m shares (5.02 per cent).

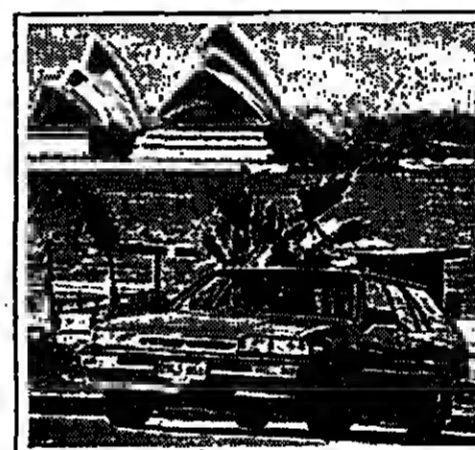
**MINERALS OILS and Resources**: Strabul Nominees reduced holding to 223,045 shares.

**OSCONICS GROUP**: Mr R F Ains, deputy chairman, sold 250,000 warrants at 17p each, reducing personal interest in warrants to £25,495.

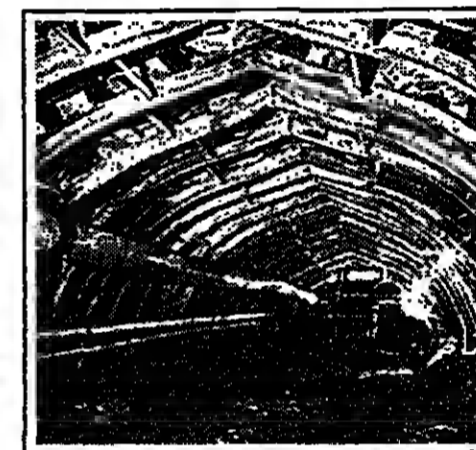
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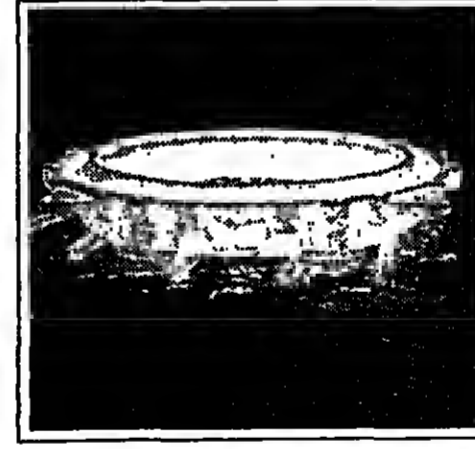
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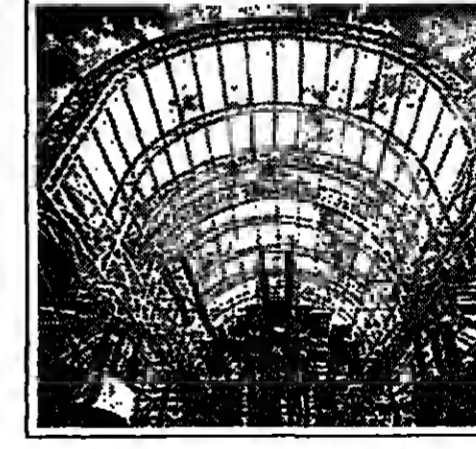
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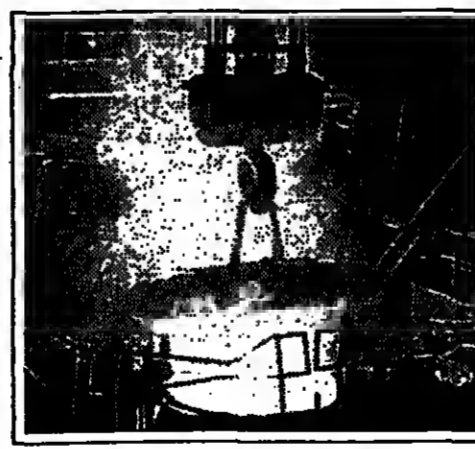
ARE THEY IN EQUIPMENT HIRE?



ARE THEY IN MANUFACTURING?



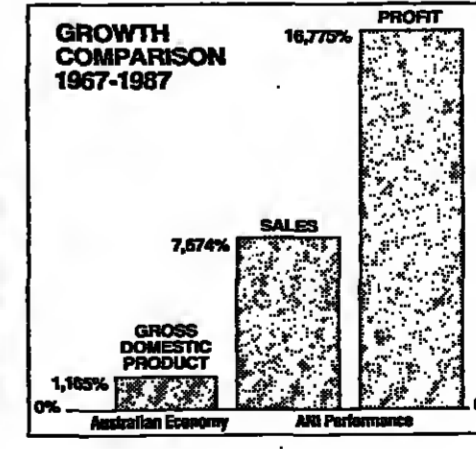
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**UK COMPANY NEWS**

# Appletree seeks buyer for troubled snack foods side

By Nikki Tall

**APPLETREE HOLDINGS**, fresh produce packing and marketing group, is putting its troubled Hunters snack foods division up for sale.

Appletree joined the Unlisted Securities Market three years ago. It merged with Hunters in early 1987 and stepped up for a full listing at the same time. Mr David Johnson, already chairman and chief executive of Appletree, founded Corby-based Hunters in 1980.

At the time of the merger, Hunters was said to have 5 per cent of the UK crisp market, with customers such as Marks and Spencer, Waitrose, Bejam and Spar. Its profits in the year to end-September 1986 were just under £500,000 - slightly larger than Appletree's.

In 1986-87, however, profitability "was severely affected

by the very poor summer... and further intensified price competition in the crisp market." There was also a small exceptional loss on potato storage.

The final result was described in the annual report as "only marginally ahead of break-even," although Appletree said yesterday that on sales of £20.8m there was a profit before interest, group charges and tax of £235,000. At the October 4 year-end, Hunters' net assets were put at £2.5m, and borrowings - including inter-company debt - at £6.7m.

In the six months to April 4, difficulties were again and Appletree now says that problems continued in the second half. "In spite of the recent improvement in trading performance created by a revised product and cus-

tomers mix and an industry price increase, a loss for the year is expected," it predicts.

At one stage, Appletree was looking to expand Hunters - it was reportedly interested in buying Golden Wonder - but now says the financial resources involved would adversely affect profits elsewhere in the group.

Yesterday, Appletree added that it had received some unspecified queries for Hunters, but had not been in discussions ahead of the announcement. Hunters' management, according to Mr Johnson, was also considering whether it wished to make an offer. S. G. Warburg is advising Appletree and Goldman Sachs is conducting the search for a buyer.

# Linread rises 16% to £1.23m at halfway

**LINREAD**, manufacturer of cold formed fasteners, reported a 16 per cent increase in profits in the six months to June 25. The pre-tax total moved from £1.06m to £1.23m on turnover raised from £17.13m to £18.72m.

After tax of £442,000 (£370,000), earnings worked through at 6.68p (6.04p). The interim dividend is raised to 1.5p (1.25p).

Mr MF Tabany, chairman, said the acquiring companies had been integrated successfully and were making good contributions to the enlarged business.

In the aircraft industry, demand remained strong, although margins had been depressed by the weakness of the US dollar. The license agreement signed with Huck last year for a proprietary fastener for the European Fighter Aircraft had been extended to cover the Airbus and other European civil build programmes, said Mr Tabany.

The commercial products division was benefiting from the performance improvement programme and the company was looking forward to an increasing profit contribution in the second half from a significantly more efficient base.

# All-round growth helps Asda Property advance to £3.44m

**ASDA PROPERTY HOLDINGS** reporting substantial progress in the first half of 1988 with pre-tax profits up from £1.4m to £3.44m.

Turnover rose 42 per cent from £10.1m to £14.37m, representing an improvement from all activities. Gross income on sales of trading properties contributing £10.22m (£8.93m), rental income £3.15m (£2.34m) and building contracting £999,000 (£782,000). Other sundry income amounted to £36,000 (£28,000).

Mr E. W. Davidson, chairman, said he was confident that the full year results would show excellent profits and a strong advance in net asset value.

Three purchases had been made in London this year, two office properties and a retail and office building, all of which afforded excellent reversionary potential, he said.

After tax of £1.2m (£930,000), earnings per 20p share worked through at 3.3p (1.5p) and an interim dividend of 0.5p (nil) is being paid.

# Haynes Publishing advances to £2.56m

**HAYNES PUBLISHING GROUP** increased its profits for the 1987-88 year from £1.88m to £2.56m pre-tax, with all of the improvement coming in the first six months.

Mr John Haynes, chairman and chief executive, said the year had been one of steady and consistent growth which was continuing.

Sales to date were already ahead of those of the past year.

In the UK trading profits increased by 34 per cent to £1.76m on the back of a 18 per cent advance in turnover to £3.47m.

North American profits expanded by 45 per cent to £987,000.

Tax of £851,000 (£725,000) left earnings per 20p share at 32p (23p).

And in view of the overall improved results the dividend for the year to end-May is being lifted by 3p to 17p via a final of 10p.

# Caird moves into toxic waste with Technosafe purchase

By Clay Harris

**CAIRD GROUP**, the acquisitive waste disposal company, is adding its first toxic waste treatment facility with the purchase of Midlands-based Technosafe for £3.5m in shares and cash.

Mr Peter Linacre, Caird chairman, said Technosafe's plant at Sutton Coldfield, near Birmingham, would allow Caird to process and neutralise toxic chemicals itself rather than subcontract that part of its collection and disposal business.

In the 12 months to March 31, Technosafe achieved pre-tax profits of £179,000 on turnover of £1.1m, but it has warranted profits of at least £500,000 in the current financial year - an increase reflecting the opening of its

new plant.

Caird also owns 5.5 per cent of Leigh Interests, a leading Midlands-based waste company where one of Technosafe's founders formerly worked, and 12.7 per cent of Wistech, an OTC-traded specialist cleaning and materials group.

For Technosafe, Caird is issuing shares valued at £2.1m and £1.4m in cash.

# Dagenham Motors rises 79% to £1.9m midway

**DAGENHAM MOTORS GROUP**, south-east based Ford car, van and commercial vehicles distributor, has achieved strong sales and profits growth in its first results since joining the main market in April.

It has reported a 79 per cent rise in pre-tax profits from £1.04m to £1.85m in the six months to June 30 on sales ahead 14 per cent from £39.68m to £45.25m.

Mr David Phillip, chairman, said profits growth from sales of new and used cars and commercial vehicles was more than matched by service, accident repair and parts sales activities.

In July, the group acquired Seaway Motors of Gillingham, Kent, bringing its Ford car main operations to five.

An interim dividend of 1.5p has been declared on increased earnings per 10p share of 8.4p (5.2p).

# American Distributors turns in £0.81m midway

**AMERICAN DISTRIBUTORS** reported a pre-tax profit of £815,000 for the six months to June 30 1988. In the same period of 1987 a profit of £27,000 was announced.

In the latest six months the company transformed itself from an oil and gas business into a tobacco distributor. In April it changed its name from Sapphire Petroleum. Also in April it acquired Golden Distributors and Valley Stream

Distributors. For the 12 weeks to June 30 the US activities contributed £1.57m. It is also intended to acquire Modern Tobacco Industries, of New York.

Turnover for this USM-quoted group in the period under review rose to £26.48m (£219,000). UK deferred tax took £37,000 (£157,000) and US tax £36,000 (nil). There was a profit per share of 1p (0.6p loss).

### Merger clearances

The Trade and Industry Secretary has decided not to refer the acquisition of IGC Corp by GEC subsidiary AB Dick to the Monopolies and Mergers Commission.

Clearance has also been given to the acquisition by IIP Bulmer Holdings of Symbion Cider and English Wine Company.

### COMPANY NEWS IN BRIEF

**CONSOLIDATED VENTURE TRUST**: Net asset value per 10p share 308.5p (254.5p) as at July 31. Net revenue for six months to end-July £1,000 (£58,000) resulting in nil earnings per share (0.58p).

**FINLAN GROUP** has purchased a property with development potential at 9-14 Windmill Street, London, for a total £3.1m. Finlan intends to construct some 27,000 sq ft of office accommodation together with a separate block of retail units and residential flats for scheduled completion in early 1990.

**HUGHES (HI)** has acquired a commercial vehicle hire business based in Southampton and trading as Sibley Hire for £350,000 cash. The company, with an existing fleet of 20 commercial vehicles, returned operating profits of around £50,000 in 1987.

**MARLING INDUSTRIES**: Last month's open offer of shares was applied for in respect of 2.2m new ordinaries (79.9 per cent).

**MERGER CLEARANCE**: Dowty Group's proposed acquisition of the CASIE Group will not be referred to the Monopolies and Mergers Commission.

**PRIEST MARIANS** and a subsidiary of Minty have rescinded their contracts for the sale of Priest's freehold interest in 219-229 Shaftsbury Avenue, London. The property has been sold to a third party for £1.85m in cash.

**REED INTERNATIONAL** is acquiring 83 per cent of Iltgeverij de Medicus, a Dutch publisher of medical journals. The purchase is being carried out via Reed subsidiary Update-Siebert which has an option to purchase the 17 per cent balance.


**SMITH & NEPHEW** has acquired the stock of CeCorp of Oklahoma for an undisclosed sum. CeCorp makes miniature solid state video systems and has been a supplier of video equipment for medical camera systems to Dyonics, a US subsidiary of S&N, since 1987. Dyonics makes instruments for arthroscopic surgery.

**STAG FURNITURE** has contracted to acquire a factory in Cramlington, Northumberland, which will provide an additional 120,000 sq ft of floor space. Refurbishment will cost £1m and the plant is planned to come on stream next spring.

**TR PROPERTY INVESTMENT TRUST** has acquired 49.5 per cent of Colveria Consortium, a company formed to specialise in leisure-related, property investments. Colveria recently announced plans to convert the Tower Hill Vaults into a major leisure/tourist complex immediately adjacent to the Tower of London. The balance of Colveria's shares are held by Mr Andrew Hamilton.

**ZETTERS GROUP**: Chairman told annual meeting that if postal disputes continued for any length of time it would undoubtedly have a serious effect on results for current financial year.

# CLWYD



The success of the County of Clwyd. In rebuilding its economic base, it is fast becoming legendary. An amazing transformation has taken place during the 1980's, with Clwyd clearly emerging as one of the prime UK locations for company investment and expansion.

In the last six years new companies have located in Clwyd from all over the UK and overseas. Many have undertaken further expansion projects and are continuing to prosper in their new location.

To find out more about Clwyd and the considerable benefits it can offer your company as a new location, clip the coupon or contact the Clwyd Industry Team, Clwyd County Council, Shire Hall, Mold, Clwyd CH7 6NR. Tel: 0352-2121. Fax: 0352-58240.

Name: \_\_\_\_\_ Title: \_\_\_\_\_  
 Company: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Tel: \_\_\_\_\_

SEND FOR THE CLWYD FACT PACK

**Clwyd** A BETTER BUSINESS DECISION  
 THE COUNTY OF WALES



Group of Companies

## Carroll Industries Corporation plc

£64,000,000

**Secured Medium Term Development Loans**

Carrying a fixed rate of interest and allowing flexibility of drawdown  
 In connection with the Hatfield Galleries

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The Toronto-Dominion Bank	Canadian Imperial Bank of Commerce
Standard Chartered Bank	NMB Bank London Branch
S.F.E. Bank Limited	Credit Commercial de France London Branch

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In conjunction with  
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Advisors to the Banks  
**Jones Lang Wootton**

Agents  
**Samuel Montagu & Co. Limited**

August, 1988

# A strength in the land

In 1988 12.9 million square feet has been acquired for occupiers, let, sold or bought for development.



**SAVILLS BUSINESS SPACE**

Nick Cook or Jeremy Atkinson 01-499 8644



# Lister

"The company is liquid... these times offer a great opportunity to the group"

Justin Kornberg, Chairman

- The Company is liquid for the first time in twenty years and we are preparing for the future with enterprise, discipline and economy.
- Our leading position in the development of flame retardant fabrics ensures we are ready for the time when the public will demand fire-protection for furnishing fabrics.

Copies of the Annual Report and Accounts may be obtained from the Secretary, Lister & Co. p.l.c., Marningham Mills, Bradford BD9 4SH.

### NORTHERN IRELAND

The Financial Times proposes to publish this survey on:  
**Tuesday, 19th October 1988**

Topics proposed for discussion include:

OVERVIEW	BANKING
THE ECONOMY	POLITICS
INDUSTRY	INTERNATIONAL SUPPORT
PRIVATISATION	EUROPE 1992
RETAIL & PROPERTY	TRAVEL & COMMUNICATIONS
COMMUNICATIONS	TOURISM
SMALL BUSINESSES	AGRICULTURE
ENERGY	THE MEDIA

For a full editorial synopsis and advertisement details, please contact:

**BRIAN HERON**  
 on 061-834 9381

or write to him at:  
 Alexandra Buildings  
 Queen Street  
 Manchester M2 5LF  
 Tel: 668113  
 Fax: 061 882 9248

### 国際不動産コンサルタント

1 不動産鑑定	2 コンサルテーション
a) 鑑定のため	a) 事務所設置/移転に関して
b) 買取/投資のため	b) 資料更新に関して
c) 会計監査のため	c) リース契約切れに関して
d) その他	d) 固定資産税評価に関して
	e) 高級住宅に関して
	f) 工場、倉庫に関して
	g) その他不動産に関して

**Knight Frank & Rutley**

日本企業担当  
 20 Hanover Square,  
 London W1R 0AH  
 Telephone: 01-629-8971  
 Fax: 01-629-4899

エリート・フランク・ロイター

### BNP Mortgages Limited

## Money Market Mortgages

The rate for these mortgages for the quarter beginning 3 September 1988 will be 13.375% (APR 14.38% variable)





FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abstract Management Ltd, and others, including their respective managers and performance metrics.

Table listing unit trusts under the heading 'Anderson Orme Unit Trust Managers Ltd', including details on investment strategies and fund types.

Table listing unit trusts under the heading 'Barron Fund Managers Ltd', detailing various investment funds and their performance.

Table listing unit trusts under the heading 'Barron Fund Managers Ltd' (continued), providing further details on fund offerings.

Table listing unit trusts under the heading 'Barron Fund Managers Ltd' (continued), including information on specific investment vehicles.

Table listing unit trusts under the heading 'Barron Fund Managers Ltd' (continued), detailing fund performance and management.

Table listing unit trusts under the heading 'Barron Fund Managers Ltd' (continued), providing a comprehensive overview of available funds.

Table listing unit trusts under the heading 'Barron Fund Managers Ltd' (continued), including details on international and specialized funds.

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699. Reuters Code: IGIN, IG10.

JOTTER PAD: A grid for recording market data or prices, with columns for various financial indicators.

CROSSWORD

Crossword puzzle grid with clues for both Across and Down directions. The puzzle is set by TANTALUS.

ACROSS: 1 and 4 Prince gets a German beer mug for physicist (6,8). 10 Poor, so curse a wealthy man (7). 11 Eastern assembly could not be closed? (7). 12 Swimmer, are you talking to theologian? (4). 13 Cultivating a garden coo, he shows off (10). 14 Mistakenly eats the Spanish plant (6). 15 Establish fashionable stable (7). 20 Footballer not working? (7). 21 Some say Lander settled in this county (6). 24 Scottish lad once in a disaster (10). 26 I'm returning with little girl to the South of France (4). 28 Recital could make newspaper feature (7). 29 Platform for magistrate (7). 30 Alma collected by man to cook for unimportant people (6,3). 31 Becoming modest (6).

Table listing unit trusts under the heading 'Barron Fund Managers Ltd' (continued), including details on various investment funds and their performance.

Table listing unit trusts under the heading 'Barron Fund Managers Ltd' (continued), providing further details on fund offerings.

Table listing unit trusts under the heading 'Barron Fund Managers Ltd' (continued), detailing fund performance and management.

Table listing unit trusts under the heading 'Barron Fund Managers Ltd' (continued), including information on specific investment vehicles.

GUIDE TO UNIT TRUST PRICING: A detailed section explaining the methodology for unit trust pricing, including the use of the FT Unit Trust Information Service and the FT Unit Trust Index.

Handwritten text at the bottom of the page: 'مكتبة الأصل' (Library of the original).

Handwritten note: "Unit Trusts" in a box.

FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'INSURANCES' and 'OTHER UK UNIT TRUSTS'.

INSURANCES

Table listing insurance-related unit trusts with columns for Name, Price, Yield, and other details.

OTHER UK UNIT TRUSTS

Table listing other UK unit trusts with columns for Name, Price, Yield, and other details.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Company Name	Address	Phone	Product Name	Investment Objective	Assets Under Management	Unit Price	NAV	Yield	Volatility
Phoenix Assurance Co Ltd	Phoenix House, Bedford Hill, Bristol	0272 29491	Phoenix Unit Trust	Equity	£100m	1.25	1.15	5.2%	High
Provident Mutual Life Assurance	William Rd, Whitechapel, London E1	0252 79000	Provident Mutual Life Assurance	Equity	£100m	1.25	1.15	5.2%	High
Royal Heritage Life Assurance Ltd	100 Strand, London WC2R 1JH	01-924 0000	Royal Heritage Life Assurance	Equity	£100m	1.25	1.15	5.2%	High
Shield Assurance Ltd	40 Dorset Rd, W5 2DS	01-567 076	Shield Assurance Ltd	Equity	£100m	1.25	1.15	5.2%	High
Sun Life of Canada (UK) Ltd	27 Bedford Square, London WC1R 3EU	024 941 414	Sun Life of Canada (UK) Ltd	Equity	£100m	1.25	1.15	5.2%	High
Citrus Financial Management Ltd	27 Bedford Square, London WC1R 3EU	0222 22333	Citrus Financial Management Ltd	Equity	£100m	1.25	1.15	5.2%	High
British Financial Services Ltd	27 Bedford Square, London WC1R 3EU	0222 22333	British Financial Services Ltd	Equity	£100m	1.25	1.15	5.2%	High
First Financial Services PLC	27 Bedford Square, London WC1R 3EU	0222 22333	First Financial Services PLC	Equity	£100m	1.25	1.15	5.2%	High
London Life & Pensions Ltd	27 Bedford Square, London WC1R 3EU	0222 22333	London Life & Pensions Ltd	Equity	£100m	1.25	1.15	5.2%	High
Scottish Life Assurance Co Ltd	100 Strand, London WC2R 1JH	01-924 0000	Scottish Life Assurance Co Ltd	Equity	£100m	1.25	1.15	5.2%	High
Prudential Assurance Co	100 Strand, London WC2R 1JH	01-405 9222	Prudential Assurance Co	Equity	£100m	1.25	1.15	5.2%	High
Prudential Mutual Life Assurance	100 Strand, London WC2R 1JH	01-405 9222	Prudential Mutual Life Assurance	Equity	£100m	1.25	1.15	5.2%	High
Scottish Widows' Group	100 Strand, London WC2R 1JH	01-924 0000	Scottish Widows' Group	Equity	£100m	1.25	1.15	5.2%	High
Standard Life Assurance Co Ltd	100 Strand, London WC2R 1JH	01-924 0000	Standard Life Assurance Co Ltd	Equity	£100m	1.25	1.15	5.2%	High
Windsor Life Assurance Co Ltd	100 Strand, London WC2R 1JH	01-924 0000	Windsor Life Assurance Co Ltd	Equity	£100m	1.25	1.15	5.2%	High
Yorkshire Assurance Co Ltd	100 Strand, London WC2R 1JH	01-924 0000	Yorkshire Assurance Co Ltd	Equity	£100m	1.25	1.15	5.2%	High
Yorkshire Assurance Co Ltd	100 Strand, London WC2R 1JH	01-924 0000	Yorkshire Assurance Co Ltd	Equity	£100m	1.25	1.15	5.2%	High
Yorkshire Assurance Co Ltd	100 Strand, London WC2R 1JH	01-924 0000	Yorkshire Assurance Co Ltd	Equity	£100m	1.25	1.15	5.2%	High

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

ملفاتنا الأصل

FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts, their performance, and details.

LONDON SHARE SERVICE

Table of London Share Service listing British Funds, Foreign Bonds & Rails, and other financial instruments.

Table of Money Market Trust Funds and Money Market Bank Accounts listing various financial products and their details.

LONDON SHARE SERVICE

Main table containing various stock market listings including AMERICANS, CANADIANS, BUILDING, TIMBER, ROADS, ELECTRICALS, ENGINEERING, INDUSTRIALS (Miscel.), BANKS, HP & LEASING, CHEMICALS, PLASTICS, FOOD, GROCERIES, ETC, DRAPERY AND STORES, BEERS, WINES & SPIRITS, HOTELS AND CATERERS, INSURANCES, and LEISURE.

Handwritten text at the bottom center of the page: "مكتبة الأصل"

Handwritten note: "LTD, INC, LTD"

LONDON SHARE SERVICE

Main table containing various stock market data including LEISURE, PAPER, PRINTING, ADVERTISING, PROPERTY, TEXTILES, TRUSTS, FINANCE, LAND, OIL AND GAS, MINES, MOTORS, AIRCRAFT TRADES, Commercial Vehicles, Components, Garages and Distributors, NEWSPAPERS, PUBLISHERS, SHIPPING, SHOES AND LEATHER, SOUTH AFRICANS, and TOBACCO. Includes sub-sections like OVERSEAS TRADERS, PLANTATIONS, MINES, and REGIONAL & IRISH STOCKS.

NOTES
Stock Exchange dealing classifications are indicated to the right of security names...
Alpha, Beta, Gamma...
Dividend and yield based on prospectus or other official estimates...
Abbreviations: at ex prospectus; at ex scrip issue; at ex rights; at ex all; at ex capital distribution.

REGIONAL & IRISH STOCKS
The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.
Table with columns for stock name, price, and other details.

TRADITIONAL OPTIONS
3-month call rates
Table listing various options and their corresponding rates.

A selection of Options traded in the London Stock Exchange Report Page
This service is available to every Company dealt in on the Stock Exchange throughout the United Kingdom for a fee of £500 per annum for each security.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Monday September 5 1988, Fri Sep 2, Thu Sep 1, Wed Sep 31, Year ago (approx). Rows include Capital Goods, Building Materials, Contracting, etc.

FIXED INTEREST

Table with columns: PRICE INDICES, Mon Sep 5, Day's change, Fri Sep 2, etc. Rows include British Government, 5-15 years, Over 15 years, etc.

RISES AND FALLS YESTERDAY

Table with columns: Rise, Fall, Same. Rows include British Funds, Corporations, Industrial, etc.

LONDON RECENT ISSUES

Table with columns: Issue, Amount, Date, Price, etc. Rows include Equities, Fixed Interest Stocks, Rights Offers.

FIXED INTEREST STOCKS

Table with columns: Issue, Amount, Date, Price, etc. Rows include various fixed interest stocks.

RIGHTS OFFERS

Table with columns: Issue, Amount, Date, Price, etc. Rows include various rights offers.

TRADITIONAL OPTIONS

Table with columns: Issue, Amount, Date, Price, etc. Rows include various traditional options.

LONDON TRADED OPTIONS

Large table with columns: Option, CALLS, PUTS, etc. Rows include various options like Allied Lyons, B.C. Alport, etc.

U.S. \$125,000,000 GREAT LAKES FEDERAL MINING Collateralized Floating Rate Notes Series A due December 1997

Mitsui Finance Asia Limited U.S. \$100,000,000 Guaranteed Floating Rate Notes 1996

Continental Airlines, Inc. US\$38,500,000 Floating Rate Notes due 1996

The Central Bank of The Republic of Turkey (Türkiye Cumhuriyet Merkez Bankası) U.S. \$100,000,000 Eurocommercial Paper Programme

DANISH INDUSTRY & EXPORTS The Financial Times proposes to publish a Survey on the above on 24th October 1988

Osaka Prefecture 9 3/4% per cent. Guaranteed Bonds Due 1993 unconditionally and irrevocably guaranteed as to payment of principal and interest by Japan

CORPORATE SECURITY The Financial Times proposes to publish a Survey on the above on 22nd November 1988

Handwritten Arabic text at the bottom center of the page.



Gilts and equities post good gains

London stock and bond markets yesterday took last Friday's recovery a stage further after a much more encouraging performance by sterling in the foreign exchange markets.

A firm showing by gilt-edged securities gave stability and enthusiasm to the rest of the stock market as the new trading account commenced.

However, buying interest returned to the market after this dip (caused by the retail sales numbers) and longer-dated issues moved up to show gains of up to 1/2% before these were shaved at the close to around the 1/4% mark.

Equities were marked up at the outset and made considerable progress for the first couple of hours of trading. The initial improvement reflected a stock shortage after the recent major sell-off.

Smith, equity market strategist, said the market has moved into a "cheap valuation range", and he expects equities to "continue tracking Wall Street, but in a fashion dampened by domestic interest rate trends".

Spirits battle nears end

WEEKEND developments caused trading in Irish Distillers (ID) shares to be suspended before a single share changed hands yesterday morning. The war of words between rival predators Grand Metropolitan and French group Pernod Ricard, which yesterday unveiled an offer of IR450p for each ID share, was extended to the courts after Pernod announced that it was contesting the revised bid revealed by Grand Met on Sunday.



Two of the bank's biggest shareholders, Willis Faber and the Bond Corporation, are thought to be reassessing their holdings and there would be no shortage of parties, particularly in Europe, willing to pick up the stakes at the right price.

International stocks enjoyed a limited rally after last week's depressing form. Dealers reported early interest from trading funds which sent prices higher as it uncovered selected shortages of stock.

100p, while British Petroleum issues also moved higher, although business in both classes of shares was relatively slow. The "old" closed 3 dearest at 245 1/2 and the newly-paid similarly better at 146 1/4.

Leading electrical issues were unexciting. GEC aroused most interest ahead of Friday's annual meeting and the shares rose 2 1/2 to 150p in turnover of 245 1/2.

Bowater caution

Awaiting the announcement of today's interim figures, Bowater attracted buyers and put on 9 to 415p. In a current update on the group Morgan Grenfell (MG), the securities house, suggests that following consistent out-performance over the past three months, Bowater has achieved the re-rating deserved since announcing its last set of figures.

Merchant banks fall

Morgan Grenfell shares took a knock - bringing other merchant banks down with them - as pessimism deepened ahead of Thursday's interim figures. Analysts' forecasts range around the £30m mark, well below last year's first-half profit of £47m.

Several dealers believe that Mr Ronnie Ben-Zur, who recently resigned as chief executive of PWS, will soon sell his family's stake. But they doubt whether he will get much more than 150p a share, well below the 200p target that Ben-Zur and PWS executives are hoping for.

Energy major British Gas responded to a welter of advice on the high yield it offers and its attractive dividend rate, rising 3 to 176 1/4 in volume of 6.2m shares.

Lorho subdued

Lorho, one of the market's brightest performers last month, moved in contrast with the wider market yesterday. Volume fell noticeably from the previous week's high daily average of some 5m shares to only 2.1m and the stock retraced 4 to 248p.

NEW HIGHS AND LOWS FOR 1988

Table listing new highs and lows for 1988, including companies like British Gas, BT, and others.

Managing director at Lesser Homes

Mr Ivan Lyons has been appointed managing director of LESSER HOMES, a former member of the lesser group. He was a divisional director with Balfour Beatty Homes, with whom he spent over five years.

Mr Peter Breach, general manager, finance (in addition to being finance director), Mr John Beale, general manager, retail operations, Mr John Clarke, general manager, management services, and Mr Robert Coverdale, general manager, corporate services.

development, will be appointed in due course. Mr Adrian Neaves, managing director of Griffin Factors, has been appointed to the executive committee of FACTORS CHAIN INTERNATIONAL.

Mr Peter Holmes has been appointed a director of ALFRED McALPINE CONSTRUCTION and will lead the company's new regional group as managing director, based at Hooton, South Wirral, Cheshire.

FINANCIAL TIMES STOCK INDICES table showing Government Secs, Fixed Interest, Ordinary, and Gold Mines indices for Sep 5, Sep 2, Sep 1, Aug 31, Aug 30, and Year Ago.

S.E. ACTIVITY Indices table showing Gilt Edged Bargains, Equity Bargains, and Equity Value indices for Sep 2 and Sep 1.

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume in major stocks including British Gas, BT, and others, with columns for Stock, Value, and Daily % change.

(4.8m shares) and closed 5 1/2 dearest at 96 1/4, after 97 1/4. Some analysts, however, are distinctly sceptical about such a move. Elsewhere in this area, Hestair met with occasional support ahead of Thursday's interim figures, with the shares closing 6 to the good at 316p.

Corporate Finance. We can give you a head start.

Advertisement for Touche Ross featuring a silhouette of a man in a top hat and text describing their corporate finance services.

COMMODITIES AND AGRICULTURE

Kuala Lumpur tin price hits 30-month high

By Wong Sulong in Kuala Lumpur
THE KUALA Lumpur physical tin market has at last broken through the 20 ringgit a kg barrier. Having risen slowly but steadily for two years the Kuala Lumpur price gained 13 cents on Friday to 20.06 ringgit a kg (24,600 a tonne) on strong demand from Europe and Japan. Yesterday it advanced further to 20.10 ringgit.

Producers follow zinc market higher

By David Blackwell
EUROPE'S ZINC producers, including Metallgesellschaft, Prenepeg and Vieille Montagne, yesterday raised their prices for the metal to \$1,350 a tonne, returning it to the record level set in June.

British forestry policy under scrutiny

Bridget Bloom assesses the impact of pressure from environmentalists

THE CONIFERS snaked round the edge of Loch Kinardochy, leaving an uninterrupted view across tranquil water to rounded heather moors and mountains stretching to the skyline. It is a pleasing scene and was designed to be so: landscape architects were employed by the Forestry Commission to make sure that the serrated ranks of spruce and pine complemented rather than marred the living picture.

However, debate in Parliament on the issue has so far thrown up several controversial issues. The directive appears to exclude the Forestry Commission itself, responsible for more than half of existing commercial conifer forests, from the existing environmental assessment procedure. Secondly, an assessment plan can only be left fallow, albeit with a green cover-crop, will attract up to £200 a hectare for three to five years.

Post-Budget Woodland Grant Structure (£ per hectare - old rates in brackets)
Area Conifers Broadleaves
0.25-0.50 ha 1,000 (800) 1,575 (800)
0.51-1.00 ha 800 (500) 1,375 (700)
1.01-2.00 ha 300 (200) 1,175 (500)
2.01-5.00 ha 75 (20) 875 (475)
10.00 ha and over 615 (240)

Policy changes confuse Pakistani cotton traders

By Christina Lamb in Islamabad
PAKISTAN'S cotton season has begun in chaos, with traders confused over the country's newly-liberalised cotton policy.

Norway details N. Sea oil and gas licensing plans

By Karen Fosli in Oslo
NORWAY'S Oil and Energy Ministry yesterday detailed plans for allocation of 13 offshore blocks located in a disputed fisheries area, the hitherto disappointing Barents Sea and the new Haltenbank oil province.

WORLD COMMODITIES PRICES

Table with multiple columns: LONDON MARKETS, COCOA, COPPER, COFFEE, SPOT MARKETS, RUBBER, SOYABEAN MEAL, POTATOES, SOYABEAN MEAL, LONDON BULLION MARKET, LONDON METAL EXCHANGE, LONDON METAL EXCHANGE TRADED OFFERS.

RETAILING

The Financial Times proposes to publish a Survey on the above on 19th September 1988. For a full editorial synopsis and advertisement details, please contact: Mark Jones on 01-248-8000 ext 3565 or write to him at: Bracken House, 10 Cannon Street London EC4P 4BY.

THE EXHIBITION INDUSTRY

The Financial Times proposes to publish a Survey on the above on 26 September. For a full editorial synopsis and advertisement details, please contact: SARAH PAKENHAM-WALSH on 01-248-8000 ext 4611 or write to her at: Bracken House, 10 Cannon Street London EC4P 4BY.

Handwritten signature or note at the bottom of the page.

WORLD STOCK MARKETS

Table of world stock markets including Australia, France, Germany, Netherlands, Sweden, and others. Columns include country, date, and various stock indices with their respective values and changes.

Table of world stock markets including Japan, South Africa, and other regions. Columns include country, date, and various stock indices with their respective values and changes.

INDICES

Table of stock indices including New York Dow Jones, Canada, and various international indices. Columns include index name, date, and values for different periods.

Table of Tokyo Most Active Stocks. Columns include stock name, closing price, change, and other market data.

Advertisement for 'Have your F.T. hand delivered in The Netherlands'. Includes text about the Financial Times being delivered to offices, a list of 12 free issues, and contact information for Amsterdam (020) 239430.

Large advertisement for 'Travelling on Business in France?'. Features a map of France and lists of hotels in various cities like Paris, Lyon, and Cannes. Includes the Financial Times logo and contact information for Geneva (022) 311604.

The era of the robot trader moves closer With Wall Street shut for Labor Day, Janet Bush reflects on computer advances

DESPITE the undoubted complexity of global financial trading technology, the industry is still in its infancy and the next few years will see sweeping developments.

The next few years will see an explosion in programme trading of baskets of stock as well as highly automated strategies such as stock index arbitrage and portfolio insurance strategies.

In the market range simultaneously, Mr Yavitz said. Another shortcoming is that many software systems were designed to identify shares that were rising or falling in excess of a pre-set average such as an index.

So-called 'expert' computer systems are designed to be broadly capable of replicating at least some of the perception and judgment of a trader as well as simply carrying out that trader's orders.

Mr Estinger said he did not know a single trading firm in New York which was not developing an expert system of some kind.

EUROPE Interest rate clouds lifted by US employment data

SOME European houses found cause for celebration yesterday in the strong performance by Wall Street last Friday, but nervousness and thin volumes still abounded, writes Our Markets Staff.

FRANKFURT rose strongly on the back of a firm bond market and the large gains made on Wall Street last week.

overseas events and share prices edged up. The Comit index was 0.55 higher at 514.55.

ASIA PACIFIC

Profit-taking hits Nikkei after strong start

Tokyo PROFIT-TAKING set in after a strong opening in Tokyo yesterday and increased gradually over the session in response to a fall in stock index futures prices in Tokyo and Osaka.

Nippon Mining topped the active list with 55.9m shares changing hands, reflecting its bid to purchase Gould Inc of the US and a redevelopment plan involving the former site of its head office in Tokyo.

On the Osaka Securities Exchange, interest focused on stocks backed by specific incentives, with leading issues seeing little attention.

Australia

AI ordinaries index 1650 1620 1580 1540 Jun 1988 Sep

announced strong profits in line with expectations, as well as a 1-for-5 bonus issue.

Uncertainty over foreign exchange and interest rate moves hit demand, analysts said. They were worried that the yen could drop further against the dollar - raising the possibility of an interest rate rise - in response to the July US trade deficit due to be released on September 17.

Bond prices started lower as the sharp gains of late last week prompted profit-taking. Prices fluctuated amid general weakness, with investors staying mostly on the sidelines because of the small moves in foreign exchange rates and domestic short-term interest rates.

Roundup

DEMAND was spurred in Asia Pacific markets by recent gains in leading stock markets, and share prices ended mostly higher.

HONG KONG

HONG KONG was cheered by early gains on leading stock markets, with Tokyo's late fall dampening afternoon sentiment only slightly and shares ending the session sharply higher.

NEW ZEALAND

NEW ZEALAND also took its cue from Wall Street and the Barclays index climbed 21.65 to 2,019.04, aided in part by a relatively calm annual conference of the ruling Labor Party.

SOUTH AFRICA

THE holiday on Wall Street dampened gold shares in Johannesburg. They closed slightly lower in thin trading, although a further sharp weakening in the financial rand provided some support on the downside.

THE YIELD ON THE BENCHMARK

THE YIELD ON THE BENCHMARK 5.0 per cent government bond, due in December 1987, rose slightly from Saturday's 5.255 per cent to 5.295 per cent.

DIAMONDS

DIAMONDS were down 50 cents at R31.75, while Kloof dropped 25 cents to R31.25. In diamonds De Beers slipped 15 cents to R28.50.

MINING

MINING financial group Gold Fields shed R1.25 to R49.50, but platinum saw Rustenburg up 50 cents to R34.75.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wm Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns for NATIONAL AND REGIONAL MARKETS, FRIDAY SEPTEMBER 2 1988, THURSDAY SEPTEMBER 1 1988, and DOLLAR INDEX. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Pacific Basin, Euro-Pacific, North America, Europe Ex UK, Pacific Ex Japan, World Ex US, World Ex UK, World Ex SA, World Ex Japan, and The World Index.

Sumitomo Bank Capital Markets, Inc. U.S. \$150,000,000 9 3/8% Guaranteed Notes due 1993 unconditionally guaranteed as to payment of principal and interest by The Sumitomo Bank, Limited (Kabushiki Kaisha Sumitomo Ginko)